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By-elections and State of the Parties

Details of the results of two recent parliamentary by-elections and the present state of the parties in the House of Commons are given below.

The Liberal-Social Democratic Alliance gained the seat at Ryedale and the Conservative Party retained its seat at West Derbyshire in parliamentary by-elections held on 8 May. In Ryedale the Alliance candidate, Mrs Elizabeth Shields, who will sit in the Commons as a Liberal member, won by a majority of 4,940 votes; and in West Derbyshire the Conservative candidate, Mr Patrick McLoughlin, won by a majority of 100 votes.

The seat in Ryedale became vacant when the sitting Member of Parliament, Mr John Spence, died in March, while the seat in West Derbyshire became vacant when its holder, Mr Matthew Parris, resigned from Parliament in April.

The results of the by-elections were as follows:

Ryedale

E. Shields (Liberal-Social Democratic Alliance)	27,612
N. Balfour (Conservative)	22,672
S. Haines (Labour)	4,633

Votes were cast by 67·3 per cent of the electorate.

At the general election in June 1983, the Conservatives held the seat with Mr John Spence polling 33,312 votes, followed by the Alliance candidate with 17,170 votes and the Labour candidate with 5,816 votes. Votes were cast by 71·8 per cent of the electorate.

West Derbyshire

P. McLoughlin (Conservative)	19,896
C. Walmsley (Liberal-Social Democratic Alliance)	19,796
W. Moore (Labour)	9,952

Two other candidates between them polled 637 votes; both lost their deposits. Votes were cast by 71·9 per cent of the electorate.

At the general election in June 1983, the Conservatives held the seat with Mr Matthew Parris polling 29,695 votes, followed by the Alliance candidate with 14,370 votes and the Labour candidate with 9,060 votes. Votes were cast by 77·4 per cent of the electorate.

State of the Parties

Following the by-election, the state of the parties in the House of Commons is now as follows:

Conservative	391
Labour	208
Liberal	19
Social Democratic	7
Scottish National	2
Plaid Cymru (Welsh Nationalist)	2
Ulster Unionist (Northern Ireland)	10
Democratic Unionist (Northern Ireland)	3
Ulster Popular Unionist (Northern Ireland)	1
Social Democratic and Labour (Northern Ireland)	2
Sinn Fein (Northern Ireland)	1
TOTAL	646

The four remaining seats are held by the Speaker of the House of Commons and his three deputies (the Chairman of Ways and Means and the first and second Deputy Chairmen of Ways and Means) who do not vote except in their official capacity in the event of a tie. The government majority over all other parties is 136, although the Sinn Fein MP has not taken his seat.

Libya and International Terrorism

International discussions, in which Britain played a leading role, have resulted in collective action to prevent acts of state-sponsored terrorism, in particular those perpetrated by the Libyan regime, and to promote co-ordinated efforts to combat international terrorism. Measures agreed in late April by Britain and its partners in the European Community include a ban on arms sales to Libya, a reduction in the number of Libyan diplomats serving in member states and restrictions on their activities and movements. Similar measures were agreed on 5 May at the Tokyo economic summit attended by the leaders of seven Western industrialised countries and representatives of the European Community (see also p 147).

The new measures followed the United States attack on centres of terrorism in Libya on 15 April (see pp 113-17), which was designed to curb terrorist attacks against United States and other international targets. Following the European Community meeting Britain and several other member states expelled a number of Libyan nationals. Other international reaction to the situation in Libya was reflected in a United Nations Security Council debate which began on 15 April.

Tokyo Declaration on Terrorism

In this declaration, the signatories reaffirmed their condemnation of international terrorism in all its forms, of its accomplices and of those, including governments, who sponsored or supported it. They abhorred the increase in terrorism since their last meeting (see pp 156-60, 1985), and in particular its blatant and cynical use as an instrument of government policy. Terrorism had no justification and had to be fought relentlessly and without compromise.

Recognising that this was a task for the international community as a whole, the signatories pledged determined, tenacious, discreet and patient action combining national measures with international co-operation. They called upon all like-minded nations to collaborate, particularly in such international organisations as the United Nations, the International Civil Aviation Organisation and the International Maritime Organisation, and to draw on their expertise to improve and extend countermeasures against terrorism. They further agreed to intensify the exchange of information on threats emanating from terrorist activities and on ways to prevent them.

The declaration specified a number of measures designed to deny to international terrorists the opportunity and the means to carry out their aims, and to identify and deter those who perpetrated terrorism. The signatories agreed to apply these measures within the framework of international law and in their own jurisdictions in respect of any state clearly involved in sponsoring or supporting international terrorism, and in particular of Libya, until such time as the state concerned abandoned its complicity in, or support for, such activity. The measures specified are the following:

1 a refusal to export arms to states which sponsored or supported terrorism;

2 strict limits on the size of the diplomatic and consular missions and other official bodies abroad of states which engage in such activities, control of travel of their members, and, where appropriate, radical reductions in, or even the closure of, such missions and bodies;

3 denial of entry to all persons, including diplomatic personnel, who have been expelled or excluded from one of the summit states on suspicion of involvement in international terrorism or have been convicted of a terrorist offence;

4 improved extradition procedures within due process of domestic law for bringing to trial those who have perpetrated acts of terrorism;

5 stricter immigration and visa requirements and procedures in respect of nationals of states which sponsor or support terrorism;

6 the closest possible bilateral and multilateral co-operation between police and security organisations and other relevant authorities in the fight against terrorism.

Commenting on the declaration in the House of Commons on 8 May (*Hansard*, Vol 97, No 109, cols 259-60), Britain's Prime Minister, Mrs Margaret Thatcher, said it represented a clear signal that the summit nations would not tolerate state-sponsored terrorism, and would bring home to those who practised such terrorism the heavy costs which they would incur. 'Terrorism', she added, 'must be resisted, not appeased'.

European Community Action

At the meeting in Luxembourg on 21 April, European Community foreign ministers agreed on new measures to control the activities of Libyan diplomats and to

strengthen those adopted in an emergency meeting held in The Hague on 14 April (see p 116).

The ministers agreed to reduce the size of Libyan People's Bureaux in each member state to match the size of that state's diplomatic mission in Tripoli and, further, to study the possibility of reducing the size of the missions there. It was decided that Libyan diplomats' movements should be restricted to the cities in which they were based and that visa application procedures for Libyans should be strengthened. Additional measures agreed included the possible reduction of other official Libyan organisations, such as airlines and trade bodies, located in member states and the provision that if one member state declared a Libyan diplomat *persona non grata*, then that person would be unacceptable in any other Community state. A working party on international terrorism, which reported to the meeting, was instructed to carry out a further study of the way Libyan diplomats had misused and abused diplomatic privileges and immunities.

Reporting to the House of Commons on 23 April (*Hansard*, Vol 96, No 99, cols 299-300), the Secretary of State for Foreign and Commonwealth Affairs, Sir Geoffrey Howe, said that the importance of taking effective collective action to prevent further acts of Libyan state-directed terrorism had been agreed by the Community foreign ministers in The Hague. To have achieved an effective package of measures against Libya, in force throughout the Community, was a considerable step forward, and Britain would continue to press for further action and for vigorous implementation of the measures agreed.

Following the meeting in Luxembourg, Britain ordered the deportation on 22 April of 22 Libyan citizens for reasons of national security, and on 25 April the Government announced that Libyan student engineers and pilots, believed to number around 300, would be expected to leave Britain after the implementation of new measures to prevent them undertaking practical aviation training.

The Federal Republic of Germany, Spain, Denmark, Luxembourg, Belgium, the Netherlands and Italy also announced plans to cut the number of Libyan diplomats accredited to missions in these countries (Britain severed diplomatic relations with Libya in 1984, see p 113), and France and the Federal Republic of Germany are expected to reduce the number of their diplomats serving in Tripoli.

Security Council Debate

The debate in the United Nations Security Council on the situation in Libya ended on 21 April, Britain, the United States and France having vetoed a draft resolution which sought to condemn both the United States military strikes and the terrorist actions which provoked them (nine members of the Council voted in favour of the resolution, two against and one abstained). The British statement to the Council, made on 17 April by Britain's Permanent Representative at the United Nations, Sir John Thomson, emphasised that terrorism, whatever its political origins, had to be treated as an act of common murder and called upon all members of the Council to shun Colonel Muammar Qhadafi, the Libyan leader, and address themselves to the task of ensuring proper respect for international law by Libya and by any other state involved in supporting terrorism.

Soviet Nuclear Accident

Following a serious accident at a Soviet nuclear power station on 26 April, and the subsequent increase in radiation levels in most European countries, Western nations have called for the creation of an international convention which would oblige signatories to report and exchange information in the event of nuclear emergencies or accidents.

The accident took place at a nuclear power station at Chernobyl, 130 km north of the Ukrainian capital of Kiev in the Soviet Union, and resulted in the emission of clouds of radioactivity into the atmosphere which were then spread by winds over almost all eastern and western Europe. No warnings were issued by the Soviet Government, the first indications that a serious accident had occurred being reports two days later by Sweden and other north European countries of significant rises in radioactivity in their atmosphere. When officially approached by the Swedish Ministry of Energy on 28 April, the Soviet representative on the International Atomic Energy Agency (IAEA) confirmed that an accident had taken place. By 2 May every country in Europe except Portugal and Spain were experiencing higher than normal levels of radiation, the situation being most acute in countries close to the Soviet Union (Poland, Romania, and the German Democratic Republic, for example). On 28 April the official newsagency, *Tass*, issued a statement saying that a reactor [one of four] had been damaged at the Chernobyl nuclear power station, and that there were some casualties. However, measures were being taken 'to eliminate the consequences of the accident'; aid was being given to those affected, the population at the power station's settlement and at three nearby towns had been evacuated and a government committee of inquiry had been set up. A statement in *Tass* the next day amplified the 28 April account, admitting that radiation had escaped, but not revealing any details as to its volume or direction.

A Soviet government statement on 30 April indicated that work to eliminate the consequences of the accident was continuing, with radiation levels being lowered, polluted areas adjacent to the power station being cleaned and the reactor itself having been shut down. The statement also said that two persons had been killed and 197 wounded. On 8 May, however, it was admitted that the 84,000 people most at risk were not finally removed until nine days after the accident, and that at first only people living in a 10-km zone around the plant were evacuated; previous Soviet accounts had indicated that the population in a 30-km zone had been evacuated by 27 April, with the area around the power station being cleared the day before. In a statement released by *Tass* on 11 May the Soviet Government said that the danger of a meltdown of the nuclear core and of a second nuclear explosion had been averted; subsequent statements indicated that this had appeared possible around 5 May and strenuous efforts had been undertaken to avert it. Later it was announced that the number of casualties had

[1] Set up in 1957 and with a current membership of 116 countries, the IAEA provides guidelines for the peaceful use of nuclear activities, and establishes safeguard agreements negotiated with member states aimed to prevent nuclear fissile material being diverted to the development of nuclear weapons.

risen to 13 dead and some 300 were suffering from radiation sickness.

Many parts of Europe were still recording unexpectedly high levels of radioactivity in the second week of May; many countries had banned the sale of milk and of some leaf vegetables, restricted the import of vegetables and halted convoys containing livestock from eastern Europe. In Brussels on 13 May the Council of Ministers of the European Community agreed to ban for the rest of May the import of certain foodstuffs from the Soviet Union, Bulgaria, Hungary, Poland, Romania, Yugoslavia and Czechoslovakia.

The remnants of the radioactive cloud emitted by the damaged station arrived over Britain on 2 May, but while there was an increase in the normal background level of radiation over the weekend of 3-4 May, the levels found were nowhere near those at which there would be a hazard to health. As a result of heavy rainfall in northern England and Wales and parts of Scotland, however, radiation in rainwater was found to be at a level where it was appropriate to warn people against drinking fresh rainwater over long periods. (This warning applied from 5 to 10 May.) Earlier, in the absence of detailed information as to the scale of the damage to the reactor and the level of radiation being leaked, the Foreign and Commonwealth Office on 30 April advised around 100 British language students and teachers in Kiev and Minsk (some 530 km north of Kiev) to leave the Soviet Union, and they returned to Britain by 1 May. Prospective British visitors were also cautioned against travelling to the western Soviet Union and north-eastern Poland.

International Reactions

The Chernobyl incident was discussed by the leaders of the seven major industrial nations (Britain, Canada, the Federal Republic of Germany, France, Italy, Japan and the United States) and representatives of the European Community at the Tokyo economic summit in early May (see p 147). In a declaration issued on 5 May, the leaders expressed their deep sympathy for those affected and their readiness to provide help, particularly medical and technical assistance, if requested.

Nuclear power, the declaration stated, was, and properly managed would continue to be, an increasingly widely used source of energy. Each country, however, had an international responsibility for the maintenance of safety and security, and each of those engaged in nuclear power generation bore full responsibility for the safety of the design, manufacture, operation and maintenance of its installations. Those in the summit countries met exacting standards. Moreover, each country had the responsibility for prompt provision of detailed and complete information in nuclear emergencies and accidents, in particular those with potential transboundary consequences. The declaration added: 'Each of our countries accepts that responsibility and we urge the Government of the Soviet Union, which did not do so in the case of Chernobyl, to provide urgently such information, as our and other countries have requested.' Noting with satisfaction the Soviet Union's willingness to undertake discussions with the director-general of the IAEA, the seven countries expected that these discussions would lead to the Soviet Union's participation in an analysis of the accident.

The leaders also welcomed the work of the IAEA in seeking to improve international co-operation on the safety of nuclear installations, the handling of nuclear accidents and their consequences and the provision of mutual emergency assistance, and urged the early elaboration of an international convention committing the parties to report and exchange information in the event of nuclear emergencies or accidents.

Following a meeting of foreign and defence ministers of the Western European Union on 30 April, Britain's Foreign Secretary, Sir Geoffrey Howe, said that ministers had expressed deep concern at the Soviet Union's failure to give early warning or early information on the catastrophe, which was a serious lapse in European good neighbourliness. They had also emphasised the Soviet Union's obligation to give a full account of what happened and why, so as to enhance the world's ability to take precautions for the future.

The World Health Organisation published in Copenhagen on 7 May a report by radiation experts and scientists on the Chernobyl disaster which expressed strong dissatisfaction with the Soviet Union for not giving sufficient or timely information on the accident, and called for improved international systems for monitoring nuclear fall-out and better co-ordination between nations. In general the report said that there was no radiation danger outside the immediate area surrounding the disabled power station, but that the lack of full information made a proper assessment of the long-term consequences impossible.

British Views

In a statement to the House of Commons on 29 April (*Hansard*, Vol 96, No 103, cols 787-91), the Secretary of State for the Environment, Mr Kenneth Baker, while expressing sympathy with the people of the Soviet Union, said it was disturbing that knowledge of the incident had come, not from the Soviet Government, but from monitoring in other countries. He urged the Soviet Union to give a full account of what had happened and the steps being taken to bring the incident under control. Responding to questions, Mr Baker confirmed that Britain did not have any power stations of the type involved in the Soviet accident, and said that safety was absolutely paramount in Britain's nuclear energy policy. There was openness and frankness in Britain in dealing with the nuclear industry, which was one of the most regulated industries in the country, with a vast number of checks and balances on environmental and safety grounds in the nuclear power plants.

Emphasising this point during a debate on nuclear energy on 13 May (*Hansard*, Vol 97, No 112, cols 568–646), Mr Baker said that Britain's nuclear industry

[1] On 7 May the Soviet Union accepted the British Government's offer of 150 anti-radiation suits.

[1] On 8 May, following a Soviet invitation, representatives from the IAEA visited the Chernobyl site and at a press conference in Moscow on 9 May announced that the Soviet Union had agreed to provide the Agency with information on radiation levels at seven monitoring points in the western Soviet Union (one 60 km west of Chernobyl, the six others at Leningrad, Riga, Vilnius, Brest, Lvov and Kiskinev) and to discuss improving international warning arrangements under an IAEA framework. Speaking about the Chernobyl disaster on Soviet television on 14 May, the Soviet leader, Mr Mikhail Gorbachev, called for an international mechanism to guarantee the speedy exchange of information on nuclear disasters and for more powers to be given to the IAEA.

was subject to no fewer than 15 Acts of Parliament and sets of regulations; and in England to the scrutiny of the nuclear installations and radio-chemical inspectorates and the Ministry of Agriculture, Fisheries and Food, with parallel arrangements in Scotland and Wales. If an incident at a nuclear power station should happen, he said, there were clear guidelines on what should be reported and how such incidents should be handled. Reports were required normally within 24 hours, and any incidents involving death, serious injury, substantial over-exposure to radiation or a release of radioactivity that required special action to be taken were reported to ministers, as well as to local liaison committees, the local population and the workforce. These reports were published each quarter by the Health and Safety Executive. In addition, there were arrangements for other incidents to be reported to inspectorates in the Department of the Environment and the Ministry of Agriculture, Fisheries and Food which monitored operations and ensured that the terms of the authorisations for discharge or disposal of waste were being complied with. Mr Baker announced that ministers within his department were to be told of all incidents involving the release of radioactivity, however small, so that a decision could be taken whether the incident was important enough to be made public.

Concluding the debate, the Secretary of State for Energy, Mr Peter Walker, noted that one benefit resulting from the Chernobyl disaster was that it appeared likely that the Soviet Union would move to a greater sense of international collaboration in nuclear energy than hitherto: it had agreed with the IAEA to give the fullest possible report on the accident and all the lessons to be learnt from it, and, at a conference to be organised by the IAEA, would present all the facts of which it was aware.

European Community

A Bill giving effect to changes in the treaties governing the European Community received its second reading in the House of Commons on 23 April.

Background

In December 1985 the European Council agreed a number of changes providing for the codification of certain Community activities (for instance those concerned with research and the environment) hitherto conducted on a piecemeal basis; the introduction of a timetable for the completion of the Community's common market; and an amended co-operation procedure involving the Council of Ministers, the European Commission and the European Parliament. These proposals were subsequently incorporated in a Single European Act signed by all the 12 member states; the Act also includes a new and separate treaty formalising political co-operation between member states on foreign policy.

Clause 1 of the Bill gives effect to changes in Community Law applicable to Britain, while Clause 2 covers an agreement by member states to attach a court of first instance to the Community's Court of Justice, the aim being to dispose of the court's growing workload more efficiently. Clause 3 provides for the formal title of 'European Assembly' to be changed to 'European Parliament' and for certain changes in the Parliament's procedure relating to the accession of new member states and to the approval of new association agreements between the Community and non-member states. The Bill does not include the treaty governing political co-operation since this will not form part of Community law.

Under the treaties the Council of Ministers takes decisions on all major questions; voting may be unanimous or by majority, depending upon the subject under discussion. In cases where majority voting applies there is an arrangement (not enshrined in the treaties) known as the Luxembourg compromise under which a member state, if it feels that its very important interests are involved, may ask for discussions to continue until unanimous agreement is reached. The European Commission puts forward policy proposals and executes the decisions taken by the Council. The European Parliament is directly elected every five years by the people in each member state: Commission proposals are usually submitted to the Parliament by the Council before decisions are taken and it is obligatory to do so in cases where the Treaty of Rome requires it. The Court of Justice interprets and adjudicates on the meaning of the Community treaties and of any measures taken by the Council and the Commission; it also passes judgment, at the request of national courts, on the interpretation or the validity of Community law. Its rulings on Community law are final and override those of national courts of law.

PARLIAMENTARY DEBATE

The European Communities (Amendment) Bill, incorporating the changes provided for in the Single European Act, received its second reading by 319 votes to 160, a government majority of 159.

Foreign and Commonwealth Secretary's Speech

Internal Market

Opening the debate (*Hansard*, Vol 96, No 99, cols 316-97), the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, said that the most important aspect of the Single European Act was a commitment and timetable for completion of the Community's common market, a long-standing aim of successive British governments. Although abolition of tariff trade barriers had been relatively easy, the removal of non-tariff barriers had proved much more difficult. The implications of not achieving a common market remained serious for a country like Britain which already sent 48 per cent of its exports to members of the Community and which needed to have completely free access to these markets. Free access needed to be mutual so that benefits enjoyed by trade and services coming to Britain could be enjoyed by British exporters elsewhere, this applying especially to services and to certain areas of transport such as maritime shipping.

[1]These include differing technical standards for industrial products, rules in some member states prohibiting their citizens buying insurance from outside their domestic market, and impediments to a liberal transport policy such as quota restriction on lorry movements from one Community country to another and the cartel arrangements in the air travel industry.

Hitherto, Sir Geoffrey pointed out, Council decisions on measures to complete the internal market could only be taken by unanimity under Article 100 of the treaty. The Single European Act, however, included a commitment for completion of the market by 1992 and provided that in most matters affecting it, majority voting should in future apply. Once the changes had been ratified by member states, policies for sea and air transport, for the right to provide services freely in another member state, and for the agreement of common product standards would be decided by qualified majority: unanimity would, however, be retained for measures affecting taxation, free movement of individuals and the rights and interests of employed people, matters which were recognised to be of vital importance to the national policies of individual member states. An additional safeguard would permit Britain as an island country with special requirements in terms of human, animal and plant health to retain or take national action where health safety, environment and consumer protection were involved.

Responding to fears that the protection of national interests could be diminished, Sir Geoffrey said that unanimity had been retained on the key issues, that it would be open for Britain to combine with other states to form a blocking minority, and that, as a last resort, the Luxembourg compromise remained untouched and unaffected. Sir Geoffrey emphasised: 'when I say the last resort, I mean it, because I strongly believe that it will benefit this country more for progress to be made towards completion of the internal market through the introduction of qualified majority voting than for progress to remain blocked, as it often has been in the past, by one member state alone'.

The European Parliament

Noting that the European Parliament had the right to be consulted under some 17 articles of the Treaty of Rome, Sir Geoffrey said that this procedure would be changed to enable the Parliament to make its views known, and for the Council to take account of them, before decisions were finally taken. The new procedure would apply mainly to measures affecting the internal market: once a proposal went to the Council of Ministers, it would hold a discussion and adopt a common position. Thereafter, if the Parliament by an absolute majority voted for amendments to the proposal, both the Council and the Commission would have to take account of them. Where the Commission agreed to change its proposal to accommodate the Parliament's amendments, the Council would, as at present, make any further changes on the basis of unanimity; in the event of the Council accepting the revised proposal it would, as now, vote according to the relevant article of the treaty. If the Parliament rejected altogether the common position of the Council, the latter would still be able to vote through a proposal but in these circumstances it would have to do so by unanimity.

The new procedure, Sir Geoffrey explained, would, in certain circumstances, enable the Parliament to change the Council's voting provisions back from qualified majority to unanimity, but not vice versa. It would, therefore, make no decisive change in the institutional balance, but would produce a greater awareness in the Council and the Parliament of each other's views.

Sir Geoffrey drew attention to two further changes in the role of the European Parliament. At present the Parliament's opinion was required on request by non-member states to join the Community, but in future it would have to give its agreement before any new accession took place. Similarly the Parliament would be entitled to approve new association agreements between the Community and non-member states.

Political Co-operation

Turning to the new treaty on political co-operation, Sir Geoffrey said that these provisions for the first time enshrined in a binding international agreement practices that had been built up over the last 15 years and strengthened an existing commitment to consult on the economic and political aspects of security questions. An important aim was to achieve greater consistency between external policies decided within the Community framework on matters such as trade and aid, and the foreign policy objectives identified by member states on political co-operation. A small secretariat would be created and based in Brussels to assist the Presidency, provide greater continuity between presidencies, help to ensure consistencies in policies and arrange meetings: secretariat officials would be seconded on a rotating basis from their national administrations.

Conclusion

Concluding, Sir Geoffrey said that in a world where no European power could any longer stand on its own, Britain's national goals could be achieved only in co-operation with its Community partners. 'The most fundamental of these goals has always been the preservation of peace and the enhancement of democracy. The Single European Act serves that fundamental objective. It enhances co-operation in foreign policy and it enhances our ability to take the steps that we need to take as a Community to make ourselves competitive internationally and to create prosperity and jobs.'

Opposition View

Speaking for the official Opposition, Mr George Robertson described the Bill as wholly irrelevant to the problems affecting the Community since institutional reform offered little or nothing to the Community's citizens. Member states needed to be looking together for a strategy for growth and the creation of jobs, and radical reform of the Common Agricultural Policy was a precondition of any possible future Community action, for its financial excesses endangered all programmes. Although the Opposition believed in European collaboration on research and technology to counter United States and Japanese competition and was not opposed to moves towards a more genuine common market, the Government had failed to provide any information about its impact on British industry. Moreover, the Government only saw the internal market as a free trade area and, because unanimity was required for provisions relating to the rights and interests of employed persons, would continue to deny the peoples of the Community the benefits of directives on employees' consultation and worker participation.

[1]The Presidency of the Council of Ministers is held for a period of six months by a member state and changes in rotation. Britain will hold the Presidency for the last six months of 1986.

Shorter Notes

BRITISH-SOVIET MEMORANDUM OF UNDERSTANDING ON ENERGY

On 24 April, Britain and the Soviet Union signed a memorandum of understanding on scientific and technical co-operation, aimed at exploiting and saving energy. Signed in Moscow by Britain's Secretary of State for Energy, Mr Peter Walker, and the Soviet chairman of the State Committee on Science and Technology, Mr Gury Marchuk, the memorandum covers areas of joint co-operation in the development, recovery and transport of on- and off-shore oil and natural gas; coal-mining, including liquefaction, gasification and the computerisation of deep mining; electricity generation and distribution; the development of energy-saving technologies and equipment; nuclear power, including nuclear-waste disposal; and renewable energy sources, such as solar and geothermal technologies.

After the signature of the understanding, Mr Walker said that it would bring major benefits to both countries. 'Britain is by far the most energy-orientated country within the European Community and it alone has substantial resources of oil, gas, coal and expertise in nuclear power. The Soviet Union is alone among the countries of Eastern Europe in having similar experience and opportunities.' British firms were likely to play a major role in the Soviet Union's 15-year economic programme which involved a massive investment in the development of its energy resources. During the negotiations, for example, the British firm Dowty Mining Equipment Ltd had signed a five-year agreement to participate in the Soviet Union's investment programme to increase coal production. In addition, both countries had agreed to activate the joint Anglo-Soviet Coal Mining Group in which the British Coal Board and the coalmining machinery firms would take part, and Britain had agreed to collaborate in the research involved in the liquefaction and gasification of coal. There was also enormous potential for Britain, using expertise obtained in North Sea operations, to contribute to Soviet programmes for off-shore oil and gas exploration and development. Similarly, the Soviet authorities, recognising British expertise in nuclear power, were anxious to discuss with Britain methods of handling and reprocessing nuclear waste. They were also likely to be involved in a major boiler conversion programme, in which British firms would have every opportunity to participate.

In order to monitor and co-ordinate the agreement's implementation, both countries will designate an official who will report every six months to the ministers concerned.

Source: Department of Energy press notice, 24.4.86.

EDUCATIONAL AND SCIENTIFIC AID

Britain is to allocate £6·4 million to a number of educational, scientific and cultural programmes in developing countries. The allocation represents funds saved from Britain's withdrawal from the United Nations Educational, Scientific and Cultural Organisation (UNESCO) in December 1985 (see pp 383-5, 1985).

In a written reply to a parliamentary question on 17 April, the Minister for Overseas Development, Mr Timothy Raison, gave details of how the money would be spent. The largest single allocation, £2·3 million, will go to the Overseas Development Administration's Technical Co-operation Training Programmes (see p 264, 1985). A further £2·8 million is to be divided among a range of educational programmes: £700,000 to a joint scheme to provide scholarships for Chinese students in Britain; £600,000 to English Language Teaching programmes, particularly in francophone Africa; £600,000 towards the Foreign and Commonwealth Office Scholarships and Awards Scheme; £500,000 for a postgraduate training scheme for black South Africans; £300,000 to the Overseas Development Administration Shared Scholarship Scheme (see p 188, 1985); and £100,000 for exploratory work on a distance learning programme among academic institutions in the Commonwealth. An allocation of £1·1 million is to be divided among research programmes, including £400,000 for research in arid Commonwealth Africa; contributions totalling £200,000 to the Inter-Governmental Oceanographic Commission, the International Geological Correlation Programme and the International Council for Scientific Unions; £200,000 to International Hydrology and Environmental Sciences; £200,000 for the dissemination of results of research at universities and other bodies; and an increased grant of £100,000 to the Commonwealth Media Development Fund.

Mr Raison said that the remaining £200,000 would be allocated to projects in the field of culture, half to be spent through the aid programme for the benefit of developing countries and half to be transferred to the Foreign and Commonwealth Office for projects in the cultural heritage field which were not suitable for aid programme funding. The British Council (see p 268, 1985) would have a major role in the operation of a number of these programmes.

Sources: *Hansard*, Vol 95, No 95, cols 426-7; Overseas Development Administration press notice, 17.4.86.

MULTILATERAL INVESTMENT GUARANTEE AGENCY

Britain has signed an international convention making it a founder member of the World Bank's Multilateral Investment Guarantee Agency (MIGA), which is designed to encourage direct investment in developing countries. The Agency will guarantee investment against non-commercial risks, including war and civil disturbances, expropriation of assets and restrictions on foreign exchange transfers. It will also provide information, advice and technical assistance to help improve the investment climate in developing countries. Day-to-day expenses will be financed out of premium income, but governments of member countries, as shareholders, will contribute to the Agency's share capital of 1,000 million Special Drawing

Rights.[1] Britain's share will be approximately $52·6 million (4·8 per cent), of which $5·26 million (10 per cent) will be paid in cash.

Signing the convention in Washington on 9 April, the Chancellor of the Exchequer, Mr Nigel Lawson, said that Britain believed that flows to developing countries should be increasingly in the form of private equity investment rather than bank lending and welcomed the establishment of a workable plan for the insurance of private overseas investment. The Agency would make a real contribution to removing the obstacles to private investment in the developing countries, he said.

The convention, which was opened for signature by the World Bank's Board of Governors at their meeting in Seoul in 1985, will come into force when ratified by five developed and 15 developing countries with subscriptions totalling $360 million. The signatories so far are: Ecuador, Equatorial Guinea, Grenada, Italy, Jordan, Korea, the Netherlands, Saint Lucia, Saudi Arabia, Senegal, Sierra Leone, Turkey, Uruguay, Vanuatu and Zaire.

Source: Overseas Development Administration press notice, 9.4.86.

[1] The Special Drawing Right is the unit of currency, based on an international basket of currencies, of the International Monetary Fund, which provides foreign currency to member countries to help them to cope with balance of payment problems.

ECONOMIC AND SCIENTIFIC AFFAIRS

Tokyo Economic Summit

The twelfth annual economic summit of seven Western industrialised countries, which took place in Tokyo from 4 to 6 May, reaffirmed that the participants would continue to work together for prosperity at home, would support the developing countries in their efforts to promote growth and would seek to improve the working of the international monetary and trading systems.

The summit was attended by the heads of State or Government of Britain, Canada, France, the Federal Republic of Germany, Italy, Japan and the United States, together with representatives of the European Community.

In addition to economic policy (including protectionism and agriculture), the summit dealt with political issues, particularly international terrorism (see pp 140-1) and the nuclear accident in the Soviet Union (see pp 141-3). There were also discussions on East-West relations and arms control, the Middle East, South Africa and international action against traffic in drugs.

In a statement to the House of Commons on 8 May (*Hansard*, Vol 97, No 109, cols 259-60), the Prime Minister, Mrs Margaret Thatcher, said that the summit had been marked by a united determination that terrorism would not succeed and confidence that the seven countries were following the right economic policies, which would bring about increased prosperity. Britain had been 'able to play a prominent role in achieving these results and in ensuring a valuable, constructive and forward-looking summit'.

ECONOMIC DECLARATION

Review of Recent Developments

The seven heads of State and Government expressed the view that developments over the past year had reflected the effectiveness of policies agreed at recent summits. The industrialised economies were in their fourth year of expansion; inflation was falling in all seven countries; prudent fiscal and monetary policies were permitting a substantial lowering of interest rates; the pattern of exchange rates was now a better reflection of fundamental economic conditions; and the recent fall in oil prices, although it created difficulties for certain oil-producing countries, would encourage non-inflationary growth and world trade. 'Overall, these developments offer brighter prospects for, and enhance confidence in, the future of the world economy.'

Problems of the World Economy

However, the world economy still faced a number of difficulties which could act as obstacles to growth. Among these were high unemployment, large domestic and external imbalances, uncertainty about exchange rates and energy prices, persistent protectionist pressures and severe debt problems in some developing countries.

There was a need for effective structural adjustment policies in all countries to promote growth, employment and the integration of domestic economies into the world economy. These policies included technological innovation, adaptation of industrial structure and expansion of trade and overseas direct investment.

The leaders stressed the need for firm control of public spending within the context of appropriate fiscal and monetary policies. There continued to be excessive fiscal deficits in some countries; the governments concerned were resolved to bring about progressive reductions.

Although some jobs had been created in the past year, meeting part of the increase in the size of labour forces, unemployment remained high in many of the seven countries. While non-inflationary growth, the leaders declared, was the main force in reducing unemployment, this needed to be reinforced by policies to create jobs, particularly in new and high-technology industries and in small businesses.

Co-ordination of Policy

Policy among the seven countries needed to be closely co-ordinated. The leaders welcomed the co-ordination among the Group of Five countries (Britain, France, the Federal Republic of Germany, Japan and the United States) which had helped to alter the pattern of exchange rates (see pp 317-18, 1985) and to reduce interest rates. However, further progress was needed. Accordingly, the leaders had decided on seven additional measures to strengthen the co-ordination of international economic policy. They would:

1 form a new Group of Seven finance ministers (those of the seven summit countries) which would work together in the intervals between annual summits;

2 request the new Group of Seven to review the individual economic objectives and forecasts collectively at least once a year, particularly with a view to examining their mutual compatibility;

3 request the Group of Five to include representatives of Canada and Italy in their meetings whenever international monetary issues and related questions were to be discussed;

4 invite finance ministers to report progress at the 1987 summit (to be held in Italy).

These improvements in co-ordination should be accompanied by similar efforts within the so-called Group of Ten (the seven summit countries plus Belgium, the Netherlands, Sweden and Switzerland, making 11 countries).

The leaders, together with the representatives of the European Community:

5 stated that improved co-ordination should involve promoting non-inflationary growth, strengthening market-oriented incentives for employment and investment, opening up the international economic system and fostering increased stability of exchange rates;

6 reaffirmed the undertaking made at the 1982 Versailles summit (see p 203, 1982) to co-operate with the International Monetary Fund (IMF) in strengthening multilateral surveillance of international economic issues;

7 invited finance ministers and central bankers, when conducting their multilateral surveillance, to make every effort to reach an understanding on appropriate remedies whenever there were 'significant deviations from an intended course'. These remedies should reaffirm the commitment made at the 1983 Williamsburg summit (see p 194, 1983) to intervene in foreign exchange markets when to do so would be helpful.

Problems of Developing Countries

The pursuit of these policies by the industrialised countries, the leaders declared, would help the developing countries to the extent that it strengthened the world economy, led to lower interest rates, raised the possibility of increased financial flows to the developing countries, promoted the transfer of technology and improved access to the markets of the industrialised countries. The developing countries could help themselves by adopting effective policies of structural adjustment coupled with measures to mobilise domestic savings, to encourage the repatriation of capital, to improve the climate for foreign investment and to promote open trading policies.

The industrialised countries would continue to give assistance to countries highly dependent on primary exports and, when formulating their own trade and domestic policies, would take into account the export needs of these countries. Private financial flows from developed to developing countries would continue to play a major role, and the leaders pledged their support to official financial flows – both bilateral and multilateral. They attached importance to an increase in the resources of the International Development Association and the World Bank and to progress in activating the Multilateral Investment Guarantee Agency (see p 145).

On international debt, the leaders reaffirmed the continued importance of the case-by-case approach; they also welcomed progress on the development of a co-operative strategy. The role of international financial institutions would continue to be central; the leaders expressed approval of the moves towards closer co-operation between these institutions, especially the IMF and the World Bank.

The leaders welcomed the improvement in food availability in Africa (see pp 232-3, 1985) and declared their readiness to help those countries which continued to require emergency aid. More generally, they recognised the high priority to be given to meeting the needs of Africa.

Multilateral Trade

The multilateral trading system was 'one of the keys to the efficiency and expansion of the world economy'. The leaders reaffirmed their opposition to protectionism and expressed support for the General Agreement on Tariffs and Trade (GATT), its adaptation to new developments and the inclusion of new issues under international discipline. Further liberalisation of trade was of as much importance to developing countries as to developed; the leaders were fully committed to the preparatory process in the GATT with a view to the early launching of a new round of multilateral trade negotiations (see p 54).

Agriculture

Noting the existence of world surpluses for certain agricultural products, the leaders described the problem as one that could be dealt with only by means of a co-operative effort. They expressed their determination to give full support to the Organisation for Economic Co-operation and Development in this field.

Oil Price

Recognising that the recent decline in the oil price owed much to the co-operative energy policies pursued during the past decade, the leaders expressed the need for continued policies to achieve long-term stability and security of supply in this market. They noted that current conditions enabled countries to increase their stocks if they so wished.

Science and Technology

The leaders reaffirmed the importance of science and technology in the growth of the world economy and welcomed progress made in space activities by the United States and the European Space Agency. They stressed the importance of partnership and the exchange of information, experience and technologies between states.

The Environment

The leaders recognised their responsibility, shared with other governments, to preserve the natural environment. They attached continued importance to international co-operation in the prevention and control of pollution and in the management of natural resources. They expressed support for co-operation with developing countries in environmental matters.

POLITICAL DECLARATION

In a separate declaration the leaders expressed their resolve to face the future with confidence and determination, through the sharing of common principles and objectives which, reaffirmed at past summits, were now bearing fruit. Nations surrounding the Pacific, building on their rich and varied heritages, were thriving dynamically through free exchange, and those in western Europe, particularly European Community

members, were flourishing by raising their co-operation to new levels. The countries of North America, enriched by European and Asian cultures alike, were firm in their commitment to the realisation in freedom of human potential. The powerful appeal of democracy could be seen throughout the world, as could a growing recognition that personal initiative, individual creativity and social justice were the main sources of progress. The close partnership of Japan, North America and Europe would make a significant contribution towards a safer and healthier, more civilised and prosperous, and free and peaceful world.

The leaders reaffirmed their dedication to preserving and strengthening peace and to building a more stable and constructive relationship between East and West. Summit nations were ready to engage in co-operation in fields of common interest and, within existing alliances, to maintain a strong and credible defence that could protect freedom and deter aggression without threatening the security of others. Knowing that peace could not be safeguarded by military strength alone, leaders were committed to addressing East-West differences through dialogue and negotiation, and as such, supported balanced, substantial and verifiable reductions in the level of arms; measures to increase confidence and reduce the risks of conflicts; and the peaceful resolution of disputes. They acknowledged the efforts of the United States at the Geneva summit (see p 376, 1985) and called on the Soviet Union to negotiate in a correspondingly positive way.

In the belief that today's world was characterised by ever-increasing interdependence, the leaders reaffirmed their commitment to fight against hunger, disease and poverty and to promote lasting stability and prosperity in the developing countries, so that they could also play a full part in building a common, bright future.

The leaders also resolved to pursue effective international action to eliminate the abuse of drugs and proclaimed their commitment to work together for the rights of individuals in a world based upon peace, freedom and democracy and in which the ideals of social justice could be realised and employment opportunities made available for all. To this end they stressed the importance of the wise use of science and technology and the benefits to be gained through co-operation and exchange. They had, they said, a solemn responsibility to educate the next generation so as to endow them with the creativity befitting the twenty-first century and to convey to them the value of living in freedom and dignity.

Monetary Policy

Outlining the Government's monetary policy in a speech on 16 April, the Chancellor of the Exchequer, Mr Nigel Lawson, reaffirmed that both broad and narrow monetary aggregates would continue to be used in the formulation of monetary policy, which, in combination with fiscal restraint and measures to improve the supply side of the economy, was leading to sustained growth and a marked reduction in inflation. In addition, other indicators, including the exchange rate, needed to be taken into account in making an overall assessment of financial conditions.

The Chancellor, who was addressing the Lombard Association in London, said that a long-term stabilisation programme to defeat inflation, re-create business confidence and provide a favourable climate for economic growth had been one of the Government's major achievements. This was one reason why overseas opinion was in no doubt that British economic policy was on the right track.

The policy that the Government was pursuing was essentially the same one that it had embarked on seven years ago, Mr Lawson said, but since then it had clearly evolved – in presentation and in substance.

The Medium-term Financial Strategy

The Government's main priority in 1979, Mr Lawson explained, had been to achieve a lasting reduction in the rate of inflation. The role of the medium-term financial strategy (MTFS), launched in the 1980 Budget (see p 113, 1980), had been that of 'a clear and unequivocal commitment to financial discipline'.

The MTFS had two features. First, its time-scale was the medium term. It therefore symbolised the Government's break with the short-term expediency that had dominated British economic policy for most of the period since 1945. Secondly, it was concerned with finance. This was partly because inflation was a financial problem and thus had to be controlled by financial means; and partly because, in a free society, 'the only levers at the Government's command are financial levers'. Monetary policy lay at the heart of the MTFS.

This approach to tackling inflation amounted to bringing about a reduction in the growth of total nominal demand – that is the growth of money gross domestic product (GDP). This, in turn, was a combination of two things: the rate of real growth and the rate of inflation. The ultimate objective of the MTFS was gradually to squeeze inflation out of the system. Since the Government had taken office the rate of increase in money GDP had been halved while the annual rate of inflation had come down from 13 per cent to 5 per cent.

The Supply Side

Earlier governments, the Chancellor continued, had confused money demand with real demand. Although expansionary policies could boost money demand, it was wrong to suppose that this implied an increase in the rate of growth of real output. The only way to bring about a sustainable rise in the rate of real growth was to improve the supply performance of the economy – by removing restrictions, improving incentives and generally making the economy more dynamic and enterprising. This the Government had done. The success of these measures was seen in the fact that the British economy had experienced, in the last few years, a steady rate of real growth – an annual average of almost 3 per cent since 1981.

Monetary Targets

Mr Lawson explained that a restrictive monetary policy was needed to bring about a fall in the growth of

money GDP. Targets for monetary growth were the means of achieving the required financial discipline.

He rejected arguments that the Government should have targets for either money GDP or inflation and set policy in the light of the best available forecasts. This approach, rather than providing the Government with any new policy instruments, would imply merely using the existing instruments with even more discretion than at present. Also, the latest information about money GDP and inflation revealed a great deal about past policy but gave little guidance for future action.

The need was therefore for indicators that gave advance warning of future movements in money GDP and inflation. For this reason, the Chancellor had chosen to set targets for narrow money, M0,[1] which had shown a predictable relationship with money GDP over many years, and broad money, sterling M3,[2] which had the advantage of familiarity. However, as no economic relationship was perfect, the setting of monetary targets could never be a substitute for 'making an intelligent assessment of monetary conditions, based on all the evidence'.

Fiscal Policy

Financial discipline also required a fiscal component, Mr Lawson continued; 'very real constraints' applied to the volume of public borrowing. First, over the medium and long term, the public sector borrowing requirement (PSBR) as a proportion of GDP should not increase. Secondly, the PSBR should be set at a level that could be comfortably financed in a non-inflationary way and at a level low enough to absorb any likely shock. Thus, in 1984-85 the PSBR amounted to some 3 per cent of GDP (see p 123) – the lowest figure for over a decade despite the fact that the cost of the dispute in the coal industry (see pp 77-8, 1985) of £3,000 million had been met entirely by increased borrowing. According to the latest figures, the proportion was well below 2 per cent in 1985-86; it was also planned to be under 2 per cent in 1986-87, putting Britain in a strong position to cope with any unexpected developments in, for example, the oil market. The Chancellor reminded his audience that, little over ten years ago, the PSBR had amounted to more than 9 per cent of GDP; the last time it had been below 2 per cent of GDP was some 15 years ago.

Interest Rates

Implementing decisions on interest rates, Mr Lawson went on, required tactical skill. Short-term interest rates were 'the essential instrument of monetary policy'. The Government had to ensure that they were at whatever level was necessary to bring downward pressure to bear on inflation. He argued that market influences were important but 'we have never suggested that the market could, entirely independently, be left to set the level of interest rates'. Therefore, while the Government had at times validated a movement in interest rates led by the market, it had, on other occasions, resisted such pressure.

The guiding principle had to be to maintain, on average, a level of short-term rates that would be consistent with the monetary conditions needed to reduce inflation. Movements in the monetary aggregates outside their target ranges always established a presumption in favour of changes in these rates. However, for two reasons, such a presumption was not overriding. First, there could never be complete certainty that the target ranges had been based on a correct assessment of the relationship between the particular monetary aggregate and money GDP. Secondly, as monetary aggregates responded to changes in short-term rates only after a lag, it took time for policy to bring the aggregates back within their target ranges.

Broad Money

The Chancellor said that setting targets for sterling M3 had become 'particularly hazardous' as a result of the change in its relationship with money GDP in recent years. Since 1980 a decline in its velocity of circulation had meant that sterling M3 had grown by significantly more than money GDP (in contrast to the experience of the 1970s, when money GDP had shown the more rapid growth). The 1986-87 target range for growth in sterling M3 – 11 per cent to 15 per cent (see p 122) – reflected the recent downward trend in velocity. Mr Lawson believed this was 'fully consistent with a further fall in inflation'.

There were also 'considerable uncertainties' about the relationship between sterling M3 and short-term interest rates. Experience suggested that a change in rates was unlikely to lead to a significant change in growth of sterling M3 within the target period; the immediate response might even be perverse (while a rise in interest rates was associated with monetary restraint, the initial reaction might be an increase in sterling M3 as people built up their interest-bearing bank deposits).

The Chancellor defended his persistence with sterling M3 as a monetary target despite its poor performance as a guide to decisions on short-term interest rates for much of the 1980s. Dropping it might have been interpreted in the financial markets as an indication that the Government was prepared to tolerate an unlimited rise in liquidity. Mr Lawson was satisfied that the growth in sterling M3 in recent years reflected a desire by the private sector for a lasting increase in liquidity rather than a rise in immediate spending power; as such, it did not presage increased inflation. 'But that judgment must be continuously tested against other evidence.'

One reason why the Government had put greater weight on the exchange rate and narrow measures of money was because it expected these indicators to give an early warning if rapid growth in broad money were to begin to be reflected in higher spending.

Narrow Money

Going on to discuss narrow money, Mr Lawson said that targets for M0 had been set since the MTFS of 1984 (see pp 125-6, 1984). Unlike sterling M3, M0 appeared to have a comparatively well-established and predictable relationship with money GDP. M0 was a useful advance indicator; it was influenced by many of the factors – especially changes in interest rates and in disposable incomes – that also affected money GDP, but it was influenced after a shorter interval. Also, movements in short-term rates affected M0 more rapidly than sterling M3.

[1] Notes and coin in circulation with the public and banks' holdings of cash and their operational balances at the Bank of England.

[2] Notes and coin in circulation with the public and private sector sterling sight and time deposits in Britain.

The Chancellor pointed out that M0 was sometimes criticised for covering only a narrow range of transactions balances. However, although not an ideal measure, it remained the most satisfactory narrow aggregate available. 'For as long as it continues to bear a reliable relationship with money GDP, we shall continue to give it a significant weight in our assessment of monetary conditions.' In any event, the messages coming from both monetary aggregates needed to be continuously tested against the evidence of other indicators, especially when the different aggregates gave conflicting signals.

The Exchange Rate

The exchange rate was of particular importance in this context. Mr Lawson explained that, in an economy as dependent on international trade as the British, persistent movements in the exchange rate were a likely reflection of underlying monetary conditions. Significant changes in the exchange rate could have a short-term impact on the price level and on inflationary expectations, making sound internal policies harder to implement.

In the right circumstances, the Chancellor went on, membership of a formal fixed exchange-rate system could provide a very effective framework for monetary policy. Although modern systems were more flexible than the gold standard had been, the fact remained that the exchange rate could still provide 'a very clear and tough discipline', obliging countries to take timely action when domestic policies were out of line with those in other countries with low levels of inflation. 'Over the medium term,' Mr Lawson said, 'maintaining a fixed exchange rate against countries who share our resolve to reduce inflation is a pretty robust way of keeping domestic monetary policy on the rails.' However, he saw no role for an exchange-rate target outside a formal exchange-rate system in which the countries involved co-ordinated their policies. Such a system was the exchange-rate mechanism of the European Monetary System (see p 99, 1985). However, the time was not yet right for Britain to join this system. Nevertheless, it made sense to limit wild swings in the exchange rate, particularly against Britain's European competitors. A firm exchange rate acted as an important discipline on industrial costs.

The Government aimed to strike a balance between domestic monetary growth and the exchange rate that would bring about the conditions necessary to maintain downward pressure on inflation. Most well-run economies operated policy in a similar way. Those that were members of a fixed exchange-rate system tended to have monetary targets while those outside such systems still recognised the need to take account of the exchange rate. As a result, inflation was coming down throughout the world. Just as the excessive global monetary expansion of the early 1970s had been responsible for an explosion in commodity prices, so the return to prudent monetary policies in the 1980s – in which the British Government had been in the vanguard – had been directly responsible for the subsequent fall in commodity prices.

Conclusion

In conclusion, Mr Lawson said that in recent years Britain had moved further and faster than most of its competitors in freeing financial markets, with the abolition of a range of outdated controls. He had 'no doubt that these changes are in the interest of the British economy'. However, their immediate effect had been to blur established distinctions between different financial assets and between the activities of various types of financial institution.

This had inevitably affected the significance of the various measures of money, making policy more complicated. Broad money had been the most affected and its role in monetary policy had therefore been reduced. The roles of narrow money and the exchange rate had become correspondingly more prominent.

The Chancellor recalled that, when the MTFS was introduced in 1980, monetary policy had, for simplicity, been expressed in terms of one familiar aggregate, sterling M3. Even then, however, the Government had made it clear that no single aggregate could be an adequate measure of monetary conditions and that the definition and choice of target aggregates might have to change with circumstances.

In presenting monetary policy, a difficult tactical balance had to be struck between conforming to the current preoccupations of the financial markets and seeking to shape the markets' perception of what really mattered. The Government had gradually shifted the emphasis from the former to the latter, but the need for balance remained.

The MTFS had been crucial in changing expectations and demonstrating that the Government was firmly committed to carrying out, and persisting with, an anti-inflationary monetary and fiscal policy.

Financial Services Bill

A number of government amendments to the Financial Services Bill (see pp 51-4) have been announced.

Securities and Investment Board

In a parliamentary written answer on 30 April, the Minister for Corporate and Consumer Affairs at the Department of Trade and Industry, Mr Michael Howard, made an announcement about the status and powers of the Securities and Investment Board, should it become a designated agency under the Bill (*Hansard*, Vol 96, No 104, written answers, col 420).

The Bill, as introduced into Parliament, enabled the Secretary of State for Trade and Industry to transfer his proposed powers to authorise and regulate investment businesses to one or more designated agencies. The Government had originally envisaged that there would be two such 'practitioner-based' agencies – a 'Securities and Investments Board' and a 'Marketing of Investments Board' (see p 42, 1985). The two bodies came into existence in mid-1985, but the Government now accepts that there should only be one such agency, and the two bodies are due to merge.

In response to initiatives by backbench Members of Parliament during the Bill's passage through the standing committee stage, the Government is now proposing to include the powers to prosecute for offences under the Bill and to investigate unauthorised investment businesses among those powers that may be transferred from the Secretary of State to the designated agency. (The power to investigate authorised businesses had already been made transferable.)

While no new powers are introduced into the Bill, therefore, the possible distribution of the presently proposed powers between the Secretary of State and a designated agency is modified. The Secretary of State would retain the options of bringing prosecutions himself and of conducting his own investigations.

The amendments also provide for the naming of the Securities and Investments Board in the Bill, and, provided that the Secretary of State is satisfied that the Board meets the criteria specified in the Bill, it would become the only body to which powers could be transferred when the first transfer took place. (The criteria are mainly concerned with investor protection and competition policy.) The private sector status of the Board would remain unchanged; the Secretary of State would still have discretion as to the transfer of powers; and, if the criteria were no longer being met, they could be taken back and transferred to any other body which met the criteria.

Self-Regulatory Organisations

In another parliamentary written answer on 8 May, the Secretary of State for Trade and Industry, Mr Paul Channon, announced proposed changes regarding the legal immunity of self-regulatory organisations and procedures for changing their rules and the rules of the agency which will supervise them (*Hansard*, Vol 97, No 109, written answers, cols 208-10).

Where an organisation is negligent or fails to perform its duties, it is normally possible for a person who has suffered loss as a consequence to be able to sue the organisation for damages. The Government recognises, however, that this possibility could create difficulties for the self-regulatory organisations to be set up under the Bill. They might be reluctant to take disciplinary action against the member businesses they supervise or to reject applications for membership if there was a prospect of facing large claims for damages. Equally people might not be willing to take senior positions with the organisations if they too could be sued. The Government would therefore provide immunity from actions for damages for self-regulatory organisations recognised under the Bill and for their staff. (There is already such immunity for the designated agency and for The Stock Exchange, which is a self-regulatory organisation, but which had special immunity conferred on it in virtue of its role in 'listing' companies – a reference to the exacting requirements which companies must meet before they can be quoted on the London Stock Exchange.) Mr Channon noted that other legal remedies would still be available to member businesses.

The second change would give the Secretary of State for Trade and Industry a power, which could be transferred to a designated agency, to alter the rules of a recognised self-regulatory organisation. The agency would be able to act swiftly if it believed that an organisation was failing to provide adequate investor protection, for example. The agency would have to consult an organisation before imposing a rule change, but there would be no minimum period of consultation. It would, however, be open to an organisation to challenge in the courts a rule change imposed on it by the agency.

The third change provides for an agency to which the Secretary of State has transferred his powers to consult with self-regulatory organisations and other interested parties, if it subsequently wishes to change its own rules in response to changing circumstances. Such consultation would be necessary because it is against a designated agency's rules that the rules of self-regulatory organisations will be measured.

Territoriality

The Government is also proposing to make amendments to the Bill which would affect the territorial extent of its provisions. Speaking at an international conference in London on capital markets on 8 May, Mr Howard said that the present provisions of the Bill, which referred to 'carrying on investment business in the United Kingdom', might be too broadly framed. Considerable business was done using financial facilities provided in London which was conducted entirely by overseas companies on behalf of overseas clients, and was very valuable to the balance of payments. Ordinary British investors were not involved. If companies entering transactions of this sort found that they had to become authorised under the Bill, valuable business could be diverted from Britain. The Government would be seeking to define the territorial scope of the Bill in a way that would achieve the best balance between investor protection and Britain's commercial interests.

Industrial Awards

The Queen's Awards for Export and Technology for 1986 were announced on 21 April. There were 114 winners of awards for export achievement and 27 for technological achievement. The recipients represent a wide spread of industrial and commercial activity and size of company: Scotland, Wales, Northern Ireland and all the regions of England are represented.

The winners of the 1984-85 Export Awards for Smaller Businesses received their awards on 25 March. These awards are sponsored by the British Overseas Trade Board and three companies.

The winners of the various awards are listed below. Winners of awards for technological achievement are listed together with the development for which they received an award. Further information can be obtained from The Queen's Awards Office, Dean Bradley House, 52 Horseferry Road, London SW1P 2AG and The British Overseas Trade Board, 1 Victoria Street, London SW1H 0ET.

QUEEN'S AWARDS

The Queen's Awards for Export and Technology are published annually on 21 April (the Queen's birthday). They are made on the advice of a committee consisting of representatives of industry and commerce as well as civil servants and trade unionists. Instituted in 1965 and revised in 1975 (see pp 443-4, 1975), the awards can be made to British companies and to subsidiaries of overseas companies. Recipients hold their awards for five years and may display the award emblem on their goods, advertising, letterheads, and on articles

for use by employees. A current holder of an award may apply for consideration in subsequent years in respect of a new achievement beyond that recognised by the previous award.

The 141 winners of awards in 1986 were chosen from 1,281 applicants, 186 more than in 1985. This year 25 awards were made to companies currently holding an award.

Export Achievement

Export achievement awards are made for 'a substantial and sustained increase in export earnings to a level which is outstanding for the products or services concerned and for the size of the applicant unit's operations'.

Technological Achievement

The awards in this category are made for a 'significant advance, leading to increased efficiency, in the application of technology to a production or development process in British industry, or the production for sale of goods which incorporate new and advanced technological qualities'.

EXPORT AWARDS FOR SMALLER BUSINESSES

These awards are sponsored by the British Overseas Trade Board, Midland Bank, British Caledonian Airways and Thomas Cook Ltd. They are now in their seventeenth year and are designed to recognise, reward and ultimately to increase outstanding export achievement. They are open to independent British firms with not more than 200 employees. Entrants must show a proven increase in their net export earnings over their most recent consecutive two-year accounting period and in the second year exports must have exceeded £100,000. Each winning company receives £3,000 of business travel, £1,000 of business travel expenses and £1,000 for an approved purpose to the benefit of the winner's employees, as well as a trophy and a certificate.

Export Achievement Awards

A B Microelectronics
A M S Industries
AVX
Adtrack
Flame Retardants Business of Albright and Wilson
Amek Systems and Controls
Annmed (Importers and Exporters)
Asprey
Babcock Power
Biscuit Division of Baker Perkins BCS
Baker Perkins PMC
Machinery Division of Barwell Machine and Rubber Group
Beacon Publications
BIB Audio/Video Products
Bloomer Electronics
Edwards High Vacuum Division of the BOC Group
Bonded Laminates
Bovis International
Brico Engineering
Army Weapons Division of British Aerospace
Hatfield Unit of the Civil Aircraft Division of British Aerospace
Prestwick Unit of the Civil Aircraft Division of British Aerospace
British Hartford-Fairmont
Manufacturing and Export Division of Burberry's
Caledonian Airmotive
Hamish Cathie Travel Scotland
Celltech
Cerium Chemical Co
Chemical Services and Distribution
Cole and Mason
Coopers (Swindon)
Cosworth Engineering
Crosfield Electronics
DRG Transcript Division of DRG UK
Davy Forge
Davy McKee (Poole)
Decorpart
Drake and Scull Holdings
Dulmison (UK)
Edwards of Enfield
Euromoney Publications
Fairline Boats
Fenner International
Fibre Technology
Floform
Fort Vale Engineering
Fortronic
Giltspur Precision Industries trading as Allbook and Hashfield
Glen Cree
Greenfields Exports
Guinness Exports
HTV
Bindery Systems Division of Harris Graphics
Harvester Press Microform Publications
Hayward and Green
Henri-Lloyd
Hodge Separators
House of Hardy
William Hoyland and Co
Hysol Grafil
IAD (UK)
IBM United Kingdom Holdings
Ipeco Europe Ltd
Islegrove
Jaguar Cars
Rare Earth Products Division of Johnson Matthey Chemicals
Klark-Teknik
Kodak
J. B. and S. Lees
Lingard Industrial Holdings
Lipton Export
London and Scandinavian Metallurgical Co
Kenneth Mackenzie Holdings
Thomas's Division of Mars GB
Martin-Baker Aircraft Co
Massey Ferguson (United Kingdom)
Monotype International Division of the Monotype Corporation
Morgan, Grenfell and Co
Mount Charlotte Investments
National Video Corporation
'Old Bushmills' Distillery Co
Oxford Analytical Instruments
Park Air Electronics (1985)
Pinneys of Scotland
Platarg Engineering
Plessey Semiconductors
Produce Studies
Racal Communications Systems
Racal Safety
Richardson Sheffield
Ridgways Tea and Coffee Merchants, a Division of Tate and Lyle Industries
Rieter-Scragg
Royal Shakespeare Theatre
J. L. Shaw (Halifax) trading as Shaw Moisture Meters
Sherman Treaters
Aircraft Division of Short Brothers
Silberline
Smith and Telford
Southern Ocean Shipyard
Sterling Freight Services trading as Sterling Gulf Services
TI Desford Tubes
Tenza Tapes
Bridgeport Machines Division of Textron
Thor Chemics
Turbine Services
VG Analytical
Hiram Walker and Sons (Scotland)
Whalsay Fish Processors
George M. Whiley
Woodgate Automotive
Xenotron Holdings
YARD
Young Austen and Young (International)
Yuasa Battery (UK)

Technological Achievement Awards

Beecham Pharmaceuticals Research Division of the Beecham Group	Antibiotics development
Black and Decker	Automatic motor assembly
Space and Communications Division of British Aerospace	Giotto spacecraft
Brown and Root (UK)	Oil platform design
Conoco (UK)	Oil production platform
Cosworth Research and Development	Alloy castings process
Davy McKee (Poole)	Control system for flat metal production
Space Department of the Royal Aircraft Establishment, Ministry of Defence	Solar cell and optical equipment for spacecraft
ECS Energy Conservation Systems	Mains signalling system and automatic lighting control
Information Technology Group	Fault-tolerant computer
Link Systems	Spectrometer
Electric Actuator Group of Lucas Aerospace	Aerospace/defence systems
Marconi Radar Systems	Surveillance radar systems
Bernard McCartney	Compactor wheels
Metal Box Engineering, Research and Development Divisions of Metal Box	Can-making equipment
Institute of Oceanographic Sciences	Geological asdic
Offshore Marine Engineering	Diving system
Petrocon Gall Thomson	Undersea hose couplings
Space Technology Department of Pilkington PE	Solar cell and optical equipment for spacecraft
Polymer Laboratories	Thermal analyser
Ruston Gas Turbines	Gas turbine
Sarclad International	Milled metal inspection system
Department of Pharmacy of the University of Strathclyde	Neuromuscular relaxant
Design and Projects Division of Vickers	Oil platform anchor equipment
Wellcome Research Laboratories of the Wellcome Foundation	Neuromuscular relaxant
York Technology	Optical fibre measurement
ZED Instruments	Tunnel construction guidance system

The 1986 awards were presented by the Prince of Wales at a ceremony chaired by Lord Jellicoe, the Chairman of the British Overseas Trade Board. The winning companies were Access Engineering of Pontefract, West Yorkshire (work platforms); Beacon Publications of Northampton; Brewing Products of Consett, County Durham; Dunkirk Metals of Nottingham; and Smith and Telford of Hawick, Scotland (knitwear).

The winners were selected from 312 eligible entrants, a 38 per cent increase over the previous year. Between them the companies exported goods and services worth £310 million in the latest financial year – about £21,600 per employee. Annual average growth in export turnover was 55 per cent and 90 companies increased export turnover by 100 per cent or more.

Privatisation

The objectives of the Government's privatisation programme and some of the benefits, such as greater efficiency and wider share ownership, were outlined by the Financial Secretary to the Treasury, Mr John Moore, in a speech on 17 April.

Mr Moore said that in 1979 state-owned industries had accounted for about one-tenth of Britain's gross domestic product and for one-seventh of investment, while employing some 1·5 million people and dominating the transport, energy, communications, steel and shipbuilding industries. By the end of 1987, as a result of privatisation, direct state involvement in industry would have been nearly halved.

Britain's experience with privatisation has encouraged other governments to follow a similar path. Many governments and state enterprises have sent delegations to Britain to study the privatisation techniques employed. An article in the March/April edition of the Treasury's *Economic Progress Report*[1] outlines how other countries are developing privatisation policies.

FINANCIAL SECRETARY'S SPEECH

The Financial Secretary said that the background to the privatisation programme was the Government's conviction that 'commercial enterprises flourish better in the private sector than under state ownership'. State ownership of industry meant 'a subordination of commercial objectives to the political process' and did not lead to better planning and investment, better services to customers or safeguard employment. It resulted in 'lack of direction and the sustaining of industrial

[1] Available from Economic Progress Report (Distribution), COI.

empires whose shape and orientation bore little relation to business logic'. Privatisation provided a discipline that state ownership could never match, and the pace of change created by privatisation within industries was such that their financial outlook had never been better.

Objectives

The aim of the privatisation programme, Mr Moore said, was to 'increase business and economic efficiency in a variety of ways – by competition, by rationalisation and restructuring, and by carefully designed regulatory regimes'. Where entire industries had been under state control, privatisation had been accompanied by measures to eliminate this monopoly position or to reduce it to a minimum consistent with efficient economic operation. This had occurred in sectors such as telecommunications and long-distance coach travel. The effectiveness of the Government's approach could be seen by examining the position after the measures to eliminate or reduce monopoly had taken effect, as, for example, for long-distance coach services where over 700 new services had been introduced between 1980 and 1983 and fares had fallen by 40 per cent in real terms. Where a natural monopoly existed or international competition was such that British interests would be harmed if further internal competition were allowed, regulatory regimes had been introduced to ensure that the customer would benefit from the increased efficiency that accompanied each privatisation measure.

Turning to the effect of privatisation on the pattern of share ownership, Mr Moore said that the Government had determined to 'involve employees to the full and to market shares to the widest possible audience'. Over 350,000 employees had obtained shares through privatisation in the companies in which they worked and privatisation had been a major factor in doubling the number of shareholders in Britain.[1] The flotation of British Telecom in 1984 (see pp 453-4, 1984) was estimated to have attracted about 1 million people who had not previously been shareholders.

Practical considerations might sometimes mean that the various objectives could not be pursued equally for every sale. The Government's usual strategy was for a public offer for sale in Britain, with guaranteed participation by employees and by the public, but sometimes the nature of the company being sold did not make this a practical proposition. However, he noted that maximising proceeds was never the sole criterion, but that the overall objective for the privatisation programme was to maximise advantages for the British economy.

Procedure for Privatisation

The Financial Secretary then described the arrangements for privatising a company, which might take two or three years. First, candidates for privatisation had to be identified, necessary parliamentary authority obtained, regulatory structures developed if needed and national objectives secured. Secondly, a company had to be put in a position where it would survive and flourish in the private sector, which might mean reorganisation and the injection of new talent. Thirdly, the company had to be sold to its new owners at a price fairly reflecting the Government's interest. The Government did all it could to ensure that the price was the best obtained in the circumstances of each sale, but this did not necessarily take precedence over its desire to spread ownership as widely as possible. However, once priorities had been decided, it aimed to 'drive as hard a bargain as circumstances permit'. All major appointments to handle a flotation were by open competition and it had been able to obtain stockbroking and underwriting commissions significantly below those paid by other sellers of shares. Since 1979 the Government had mounted 15 major public offers of shares, which had raised £7,500 million. No other vendor could rival the Government's experience and one effect was the creation of 'a pool of talent in the City of London unequalled elsewhere'.

Experience gained in selling shares had enabled the Government to introduce many innovations to facilitate the purchase of shares, including the widest possible marketing of shares consistent with retaining proper protection for shareholders; special arrangements for customers and employees to encourage them to buy shares; the development of new types of prospectuses and simplified application forms; the establishment of a minimum amount to be purchased at a level low enough to ensure that as many people as possible had an opportunity to buy the shares, with the purchase price usually split into two or more instalments spread over a period; and, in some sales, a bonus distribution of shares to small shareholders who retained their shares for an extended period. The aim in all these developments had been to make share sales attractive to the investor and good value for money for the taxpayer.

The main focus of share sales had been the British market, but sometimes special arrangements were made to market a limited number of shares overseas when the Government thought that there might be insufficient capacity in London or that selling overseas would help to stimulate demand. There might also be occasions where the nature of a company's business made it desirable to sell a limited number of shares overseas – for example, an international market in a company's shares might facilitate access to cheaper capital, which might allow it to finance future expansion in Britain more easily. Participation in overseas financial markets could also enhance a company's profile overseas which could lead to further export orders. He noted that the privatised company Cable and Wireless had recently become the first British company to be listed on the Tokyo Stock Exchange.

Effects of Privatisation

Mr Moore said that the success of privatisation was best illustrated by examining the performance of privatised companies, which had generally experienced increases in turnover, profits and investment.

1 *British Aerospace.* Profits had nearly trebled in the five years since privatisation and its order book at the end of 1985 was a record £5,000 million. The company had recently won a contract worth over £5,000 million to provide defence systems for Saudi Arabia; a large proportion of the work would go directly to the company and the remainder to subcontractors.

2 *National Freight Consortium.* This major road haulage concern was diversifying its activities. Profits since

[1] Research commissioned on behalf of the Treasury, carried out in February and March 1986, indicated that about 6 million people in Great Britain were shareholders, representing 14 per cent of the adult population, compared with 7 per cent in 1979.

privatisation in 1982 had increased sevenfold and a growing number of employees owned shares – 17,000 as against 10,000 at the time of privatisation.

3 *Amersham International.* Profits of the company, which produced a wide range of specialist products for use in hospitals, research laboratories and industry, had quadrupled since privatisation in 1982.

4 *Telecommunications.* Privatisation, together with liberalisation, had led to significant changes in telecommunications. British Telecom and Cable and Wireless remained in existence, but had become 'modern, aggressive companies battling abroad to secure business for Britain and at home providing better services for their UK customers'. The privatisation of British Telecom had been a crucial step in the development of telecommunications, and the company was now owned by some 1·7 million private shareholders, and by 'pension funds and financial institutions representing millions more'. This was 'true ownership by the public' and 'a very powerful stimulant to efficiency and to meeting the needs of the customers'. In addition, the Government had introduced a new regulatory framework including rules to protect consumer interests, social needs and the developing areas of competition in the industry, and the establishment of the Office of Telecommunications to ensure that the rules were kept.

5 *Jaguar.* Since the return of Jaguar to private sector ownership in 1984, annual production had risen to a record level (38,500 cars, compared with 14,000 in 1979) and employment had grown to about 10,000, with over 1,100 new jobs created since privatisation. Its exports in 1985 were worth over £500 million, making the company Britain's leading exporter of cars in terms of value.

Future Plans

Mr Moore referred to the substantial programme of privatisation planned, which included the British Airports Authority, British Airways, British Gas, parts of British Steel and BL, the National Bus Company, Rolls-Royce, Royal Ordnance and the water authorities in England and Wales. Previously the businesses transferred to the private sector had been in a competitive market environment, but now privatisation of utilities (such as water supply) had become a feature of the programme. He rejected the argument that this type of business was too important and essential to be entrusted to the private sector. In his view the importance of these utilities to the economy was 'an excellent reason for privatisation' as in the private sector they would have the 'freedom and incentives to serve their customers more efficiently'. Concern about areas such as pricing and safety was unfounded. Regulated charges of privatised utilities would be closely controlled and one of the aims would be to ensure that there was pressure on the companies to supply their services more efficiently and to pass on efficiency gains to their customers. Safety regulations for the privatised gas industry would in some important respects be more stringent than those currently applied, while for the water industry the statutory standards relating to public health and environmental protection would continue to be set by the Government and present safeguards would be fully maintained (see p 92).

Conclusion

Mr Moore said that shareholders of privatised companies, the employees concerned, customers and the nation as a whole benefited from privatisation and that was the reason for the success of privatisation in Britain and why the programme would continue until all state-owned commercial industries were returned to the private sector.

Shops Bill

A government Bill to relax laws in England and Wales on trading on Sundays and to repeal restrictions on shopworkers' hours was defeated on its second reading in the House of Commons on 14 April by 296 votes to 282.

The proposal to lift all restrictions on Sunday trading in England and Wales[1] was at the centre of the parliamentary debate (*Hansard*, Vol 95, No 92, cols 584-668, and Vol 95, No 93, cols 669-702). There was widespread agreement that the existing restrictions on Sunday trading are anomalous[2] and that reform is needed. The debate concentrated on the effects of the particular measure proposed by the Government.

Government View

Speaking for the Government, the Home Secretary, Mr Douglas Hurd, said that there was a very large body of opinion disagreeing with the present restrictions on Sunday trading on the grounds that they meant that shops could open when people were at work, but not when they were free to go shopping. On the other hand there was another large body of opinion which wanted to keep Sunday special. There were three options, in Mr Hurd's view. The House of Commons could vote to perpetuate the existing anomalous system; or to abolish the system and rely on persuasion, tradition and example to maintain the character of Sunday (as was the case in Scotland); or it could seek a middle way, which could include delegating responsibility to local councils, limiting the hours during which shops might trade on a Sunday, extending the list of commodities that could be sold, or limiting the size of establishments that could trade on Sundays.

The government Bill proposed the second option – complete deregulation of shop hours.

Arguing against the first of the options Mr Hurd said that the present law no longer commanded respect or compliance. It was time for the Government to step in and repeal it. The Bill did not compel Sunday opening; it simply left the decision to the choice of the

[1] Scotland has had no restrictions on Sunday trading (except by barbers and hairdressers) for many years. The position in Northern Ireland, regulated by separate legislation, is similar to that in England and Wales.

[2] It is a criminal act, for example, to sell books (including bibles), do-it-yourself equipment, furniture, clothes (unless for protective purposes), or partly-cooked foods on a Sunday. It is permitted, however, to sell magazines, flowers (but not pot plants) and wholly-cooked foods. Traders other than shopkeepers (such as estate agents and restaurant, bingo hall and amusement arcade owners) are not restricted by Sunday trading laws.

shopkeeper and the customer. In recognition of the changed position for shopworkers, the Bill contained provisions to protect existing workers from unfair dismissal or other action taken by employers on the grounds that the employee was unwilling to work on Sundays.

The economic effects of the second option – complete deregulation of shop hours – could not be certain, as the Auld report had recognised (see p 204, 1985). They would depend on the free choice of the customer. The Government's surveys suggested that less than 30 per cent of shops would open all year round, if free to do so, compared with just under 20 per cent of shops in Scotland. There was likely to be a ready supply of labour. Experience abroad – in Sweden, for example – suggested that the small shopkeeper, far from suffering, had benefited from deregulation.

Regarding the third option, Mr Hurd said that a general measure of agreement on the principle of Sunday trading was desirable before Parliament proceeded to discuss any compromises. The Government was therefore asking the House of Commons to give the Bill a second reading to establish that principle. Members of Parliament would have a free vote in all the Bill's subsequent stages, and the Government was proposing that a special standing committee be set up to provide an opportunity for interested parties to put forward proposals for building on the ground that the repeal of the 1950 Shops Act would leave clear.

Opposing Views

Speaking for the official Opposition, Mr Gerald Kaufman spoke of the need for special protection for shopworkers which would be abolished by the Government's Bill. Such employees were disadvantaged in certain ways, compared with other employees, and more vulnerable to exploitation. Furthermore there was evidence to suggest that the economic effects would be worse than the Government had stated. One supermarket chain predicted a net loss of employment arising from Sunday trading; and the position of the small shopkeeper would be threatened. Finally, the special character of Sunday would change, particularly through the likelihood that the extra employment arising on a Sunday would comprise a large proportion of working mothers. The Government's changes were too sweeping; a compromise was needed.

For the Liberal Party, Mr Paddy Ashdown said that he had expected a number of measures to be included in the Bill. These were: safeguards against changes being made to the special character of Sunday; protection for shopworkers and small shopkeepers; and a local component in the enforcement of the law. The Bill contained none of them.

A number of Conservative Members of Parliament also spoke against giving the Bill a second reading. Among the concerns they expressed were that the Government ought to have allowed a free vote on the second reading, since the issue of Sunday trading was a matter of conscience. Some suggested that it was unsatisfactory to be invited to vote initially for the principle of complete deregulation even though there would be opportunities later to introduce compromise measures. Concern that the special character of Sunday would alter was also expressed.

Some 70 Conservative Members of Parliament voted with the Opposition parties against the Bill.

Oil and Gas

Britain's oil production rose by 1·25 per cent, and gas production by 11·7 per cent, in 1985, according to the Department of Energy's 1986 review of oil and gas development, published on 29 April.[1] The British offshore supply industry won its largest ever share of North Sea equipment orders in 1985.

ANNUAL REVIEW

Oil and Gas Production

Britain's total oil production rose from 125·9 million tonnes in 1984 to 127·5 million tonnes in 1985. This included 4·4 million tonnes of heavier natural gases, 0·7 million tonnes of condensate and 0·4 million tonnes of onshore crude oil (of which 0·25 million tonnes were produced from the Wytch Farm field and 0·07 million tonnes from minor fields in the East Midlands and Dorset). Three new offshore oilfields came onstream in 1985, bringing the total number in production to 30 (see Table 1), and three onshore fields also started production during the year. In 1985 gas produced from the United Kingdom Continental Shelf (UKCS) amounted to 43,000 million cubic metres[2] (as compared with 38,500 million cubic metres in 1984 – see Table 2). Supplies of UKCS gas to the British Gas Corporation accounted for 74 per cent of its total supplies (UKCS production plus imports). Four new gasfields came onstream in 1985.

Exploration and Development

Although the number of exploration and appraisal wells drilled in 1985 (93 and 64 respectively) was a little lower than the record of 182 wells started in 1984, the level of exploration still indicates a high level of interest in the UKCS by the oil industry.

There were 25 discoveries announced: 11 of oil, four of oil and gas, six of gas, two of oil, gas and condensate and two of gas and condensate. Onshore exploration drilling was at a record level in 1985, when 36 exploration and seven appraisal wells were started and six discoveries made: one in Fife (which was drilled in 1984 but not tested until 1985), four in the East Midlands and one in North Yorkshire.

Six oilfields and six gasfields were under development on the UKCS in 1985, and a total of 133 oil and gas development wells were started. Onshore, 24 development wells were started (the highest number since 1961), mainly in the East Midlands and at Humbly Grove, Hampshire.

Reserves

The estimate of proven plus probable oil reserves in existing discoveries has been increased from 2,000 to 2,060 million tonnes, mainly as a result of reclassification of reserves previously designated 'possible'. Possible reserves remain essentially unchanged since transfers to the proven and probable category were offset by additions from new discoveries. Reassessment of data and new information from the results of drilling during the year has led to a small reduction in the estimates of proven plus probable initially recoverable gas reserves in present discoveries to 1·778 mil-

[1] *Development of the Oil and Gas Resources of the United Kingdom 1986*. HMSO, £10·50. ISBN 0 11 411569 9.

[2] 1 cubic metre = 35·31 cubic feet.

lion million cubic metres. After noting that estimates of the total potential of the UKCS, which include estimates of undiscovered reserves, must be treated with caution, the report says that, taking account of cumulative production to date of 825 million tonnes of oil and of 536,000 million cubic metres of gas, total remaining reserves are estimated to be in the range of 1,050-4,120 million tonnes of oil and 0·868-2·85 million million cubic metres of gas.

Licensing

The ninth round of offshore licensing closed in December 1984 (see p 196, 1985). A total of 93 blocks were awarded, of which 37 were in frontier areas, the opening-up of which was a main objective of the round. The tenth round, announced on 22 April by Mr Alick Buchanan-Smith, the Parliamentary Under-Secretary of State for Energy, is intended to consolidate the ninth round and to encourage exploration in those areas which merit more intensive examination.

The Petroleum (Production) Regulations (1982) were replaced by the Petroleum (Production) (Landward Areas) Regulations 1984 (see p 196, 1985). Under the first onshore round under the new regulations, for which applications closed in September 1985, the Department of Energy received 193 applications for licences. At the end of 1985 some 52,967 sq km were under licence.

Economic and Industrial Aspects

In 1985 UKCS oil and gas production accounted for about 5 per cent of Britain's gross national product at factor cost. Total revenue from the sale of oil and gas produced in the UKCS in 1985 is estimated to have been £19,700 million and £1,700 million respectively. Tax and royalty receipts attributable to UKCS oil and gas are estimated to have been £11,500 million in 1985-86 (see Table 3).

Gross capital investment in the oil and gas exploration and production industry (including investment by drilling and other contractors providing services

Table 1
Oil Production

million tonnes

Offshore fields	1980	1981	1982	1983	1984	1985
Argyll	0·8	0·5	1·0	0·7	0·4	0·4
Auk	0·6	0·6	0·6	0·6	0·6	0·5
Beatrice	—	0·2	1·6	1·5	2·2	2·5
Beryl	5·4	4·7	4·4	3·8	4·3	4·9
South Brae	—	—	—	1·0	3·9	4·1
Brent	6·8	11·1	15·2	18·7	20·0	20·0
Buchan	—	0·9	1·4	1·6	1·1	0·9
Claymore	4·4	4·5	4·8	4·7	5·0	4·3
North Cormorant	—	—	1·3	2·1	4·4	5·0
South Cormorant	1·1	0·7	0·9	1·5	1·7	2·0
Deveron	—	—	—	0·1	0·1	0·3
Duncan	—	—	—	0·1	0·6	0·7
Dunlin	5·2	4·7	3·9	3·5	3·1	2·5
Forties	24·6	22·8	22·2	21·7	20·3	18·4
Fulmar	—	—	2·6	5·7	6·0	5·2
Heather	0·7	1·2	1·7	1·3	1·2	1·1
Highlander	—	—	—	—	—	1·0
Hutton	—	—	—	—	1·3	2·8
North-West Hutton	—	—	—	1·9	2·4	2·2
Innes	—	—	—	—	—	0·2
Magnus	—	—	—	1·5	5·6	6·0
Maureen	—	—	—	0·8	3·8	3·8
Montrose	1·2	1·1	0·9	0·7	0·8	0·6
Murchison (UK)	0·4	3·1	4·4	4·5	2·9	3·1
Ninian	11·4	14·3	15·0	13·7	11·6	10·9
Piper	10·4	9·8	9·8	9·6	8·9	9·0
Scapa	—	—	—	—	—	0·2
Statfjord (UK)	0·5	1·2	1·8	3·0	3·5	4·5
Tartan	—	0·7	0·6	1·1	1·2	1·2
Thistle	5·3	5·5	6·0	5·1	4·2	3·6
Crude oil from offshore fields*	78·7	87·7	100·1	110·5	120·8	122·0
Crude oil from onshore fields*	0·2	0·2	0·2	0·3	0·3	0·4
Liquefied products from oil and gasfields:						
Condensate	0·4	0·4	0·5	0·6	0·6	0·7
Heavier natural gases	1·1	1·2	2·4	3·5	4·1	4·4
Total production	80·5	89·5	103·2	114·9	125·9	127·5

*Includes condensates and residual dissolved gases present in the disposal of stabilised crude oil by the industry.
Note: Differences between totals and the sums of their component parts are due to rounding.

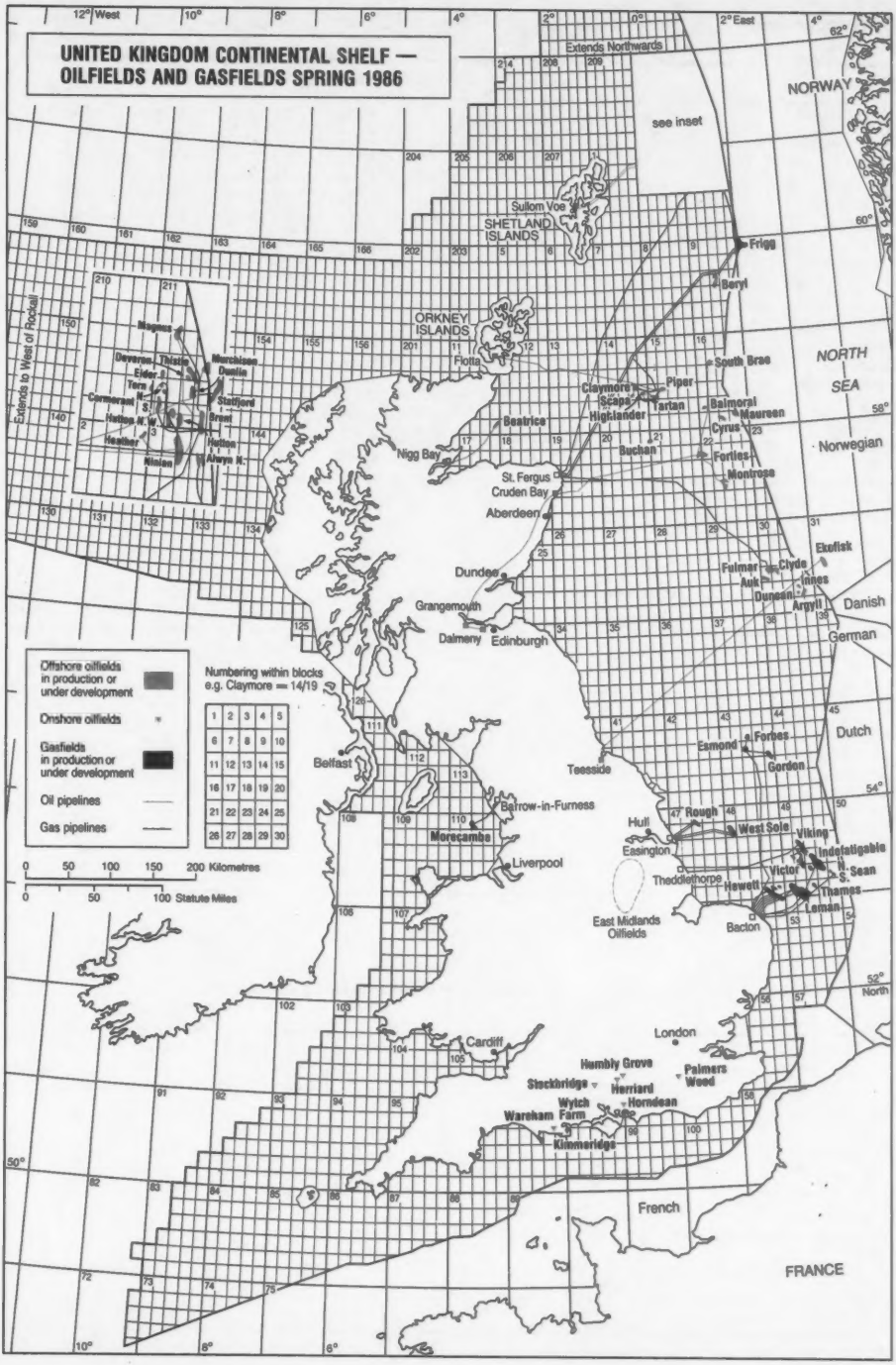
UNITED KINGDOM CONTINENTAL SHELF — OILFIELDS AND GASFIELDS SPRING 1986
Extends Northwards
see inset
NORWAY
NORTH SEA
Norwegian
Danish
German
Dutch
French
FRANCE
SHETLAND ISLANDS
Sullom Voe
ORKNEY ISLANDS
Flotta
Extends to West of Rockall
Magnus
Thistle
Deveron
Elder S.
Tern
N.
S.
Cormorant
Hutton
N.W.
Heather
Murchison
Dunlin
Statfjord
Brent
Hutton
Alwyn N.
Ninian
Frigg
Beryl
South Brae
Piper
Claymore
Scapa
Highlander
Tartan
Balmoral
Maureen
Cyrus
Beatrice
Buchan
Forties
Montrose
Nigg Bay
St. Fergus
Cruden Bay
Aberdeen
Ekofisk
Fulmar
Clyde
Auk
Innes
Dunlin
Argyll
Dundee
Grangemouth
Dalmeny
Edinburgh
Belfast
Teesside
Esmond
Forties
Gordon
Barrow-in-Furness
Morecambe
Liverpool
Hull
Rough
West Sole
Viking
Indefatigable
Easington
Victor
N. Sean
S. Sean
Theddlethorpe
Hewett
Thames
Leman
East Midlands Oilfields
Bacton
London
Cardiff
Humbly Grove
Palmers Wood
Stockbridge
Herriard
Wyich Farm
Horndean
Wareham
Kimmeridge
Offshore oilfields in production or under development
Onshore oilfields
Gasfields in production or under development
Oil pipelines
Gas pipelines
Numbering within blocks e.g. Claymore = 14/19
0 50 100 150 200 Kilometres
0 50 100 Statute Miles

Table 2
Gas Production

million cubic metres

	1980	1981	1982	1983	1984	1985
Leman	9,482	13,207	11,675	11,985	9,376	10,943
Frigg (UK share)	6,398	6,790	6,087	6,063	6,167	6,240
FLAGS*	—	—	2,144	4,277	5,271	6,139
Indefatigable	6,878	5,613	5,720	4,700	5,590	5,323
Viking area	4,689	3,307	4,381	3,413	3,197	3,448
Hewett area	6,568	5,048	4,108	3,851	3,631	3,412
Victor	—	—	—	—	472	1,485
West Sole	1,445	1,455	1,512	1,719	1,899	1,771
Piper/Tartan area†	523	569	667	848	796	786
Esmond	—	—	—	—	—	591
Gordon	—	—	—	—	—	177
Forbes	—	—	—	—	—	107
Rough	467	99	101	27	55	93
South Morecambe	—	—	—	—	—	91
Other‡	866	1,098	1,437	1,807	2,066	2,331
Onshore gas	4	6	9	10	9	10
Total	37,320	37,192	37,841	38,700	38,529	42,947

*Gas delivered to land via the FLAG system gas pipeline.
†Gas used offshore or delivered to land via the Frigg pipeline system.
‡Associated gas produced and used mainly on Northern Basin oil production platforms.

Table 3
Taxes and Royalties attributable to UKCS Oil and Gas

£ million

	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86 (provisional)
Royalties	992	1,396	1,632	1,904	2,426	2,100
Supplementary petroleum duty*	—	2,025	2,395	—	—	—
Petroleum revenue tax†	2,410	2,390	3,274	6,017	7,177	6,400
Corporation tax						
Before advance corporation tax (ACT) set-off	333	680	513	861	2,399	3,000
ACT set-off	97	270	202	428	1,242	1,200
Mainstream corporation tax	236	410	311	433	1,157	1,800
Total	3,735	6,491	7,814	8,782	12,002	11,500

*Abolished at the end of 1982.
†Includes advance petroleum revenue tax.

Table 4
Britain's Primary Fuel Consumption compared with Oil and Gas Production

million tonnes of oil or oil equivalent

	1981	1982	1983	1984	1985 (provisional)
Primary fuel consumption:					
Coal	69·6	65·1	65·6	46·5	61·9
Petroleum	74·8	75·5	72·4	89·9	78·0
Natural gas	42·4	42·2	44·0	45·0	47·9
Nuclear electricity	8·1	9·4	10·6	11·5	13·0
Hydro electricity	1·3	1·4	1·4	1·2	1·3
Total*	196·2	193·6	194·0	194·1	202·1
Oil production	89·5	103·2	114·9	125·9	127·5
Gas production	32·4	33·0	34·0	33·4	36·6

*Differences between totals and the sums of their component parts are due to rounding.

unique to the industry) is about 20 per cent of British industrial investment and 5 per cent of gross domestic fixed capital formation. Total investment between 1965 and 1985 is estimated to have been some £28,000 million (£41,000 million at 1985 prices). Some 29,000 people were employed offshore in September 1985.

Table 4 shows the relationship between oil and gas production and primary fuel consumption. Britain's production of oil and gas in 1985 corresponded to about 63 per cent and 18 per cent of total primary fuel consumption respectively. Oil production, at 127·5 million tonnes, exceeded consumption (78 million tonnes), and there was a substantial import and export trade in crude oil. Some 26·8 million tonnes of foreign crude oil was imported during the year, compared with exports of UKCS crude oil of 79 million tonnes.

In 1985 the total value of orders reported by operators for oil and gas development work in the UKCS was £3,420 million, of which the British share was £2,720 million (80 per cent). This is the largest share ever won by the British offshore supplies industry. Although in 1985 there was a small decrease in the value of orders placed compared with the previous year, 19 new oil and gas projects were approved, and it is estimated that more than £3,000 million will be spent on their development.

The Gas Bill currently before Parliament provides for the privatisation of the British Gas Corporation through the transfer of its assets to a public limited company, shares in which would later be sold to the public (see pp 14-15). Under the Oil and Pipelines Act 1985, which provided for the dissolution of the British National Oil Corporation and set up the new Oil and Pipelines Agency (see pp 28-30, 1985), the Corporation's assets were transferred to the Agency in December 1985 and the Corporation dissolved on 27 March 1986.

Intellectual Property Law

Wide-ranging legislative proposals covering all aspects of intellectual property law were published in a government White Paper on 15 April. Together with the Bill which is to be introduced, the White Paper will form a 'major statement of policy in the intellectual property field'.

'Intellectual property' covers patents, registered designs, trade marks and copyright. The White Paper[1] brings together government responses to recommendations made in an earlier consultative document on intellectual property (see p 29, 1984) and recommendations on copyright made by the Whitford Committee (see pp 128-9, 1977) and discussed in two other consultative documents (see pp 274-7, 1981 and p 82, 1985).

Introduction

The White Paper states that intellectual property law deals with the creative products of the mind, and that Britain is well aware of the importance of exploiting its brain power. The proposals in the White Paper have three objects. First, they seek to ensure a proper balance between protecting the interests of creators and authors on the one hand, and, on the other, allowing access to these creations in ways which stimulate competition and benefit society as a whole. Secondly, the intellectual property laws need to be accommodated to changing technologies – in satellite broadcasting, computers and electronics, for example. And thirdly there must be an effective means of enforcing and policing intellectual property laws.

The White Paper is in two parts, 'intellectual property rights and innovation' and 'copyright and performers' protection'. Legislation to put the Government's proposals into effect is to be introduced, as soon as the parliamentary timetable permits, in a single Bill dealing with the issues in both parts of the White Paper.

Intellectual property law is a very complex field spanning numerous areas of creativity and the summary that follows covers only the most important of the topics dealt with in the White Paper.

Intellectual Property Rights and Innovation

The White Paper says that the intellectual property system must provide protection and reward as incentives to innovation but not at the expense of stifling competition or preventing the wider use of technology. The Government believes that its proposals will help to achieve these ends and should be of especial benefit to small and medium-sized industrial enterprises.

Some of the proposals on intellectual property do not require legislation (establishing the 'Whitehall Liaison Group' and enhancing the Patent Office's publicity and dababase facilities, for example) but others do.

The Patent Office

The Patent Office is to become a statutory body outside the Civil Service so that it may respond more flexibly to the needs of industry (see p 98). It will take the legal form of a corporate body, the members of which will constitute a Board appointed by the Secretary of State. The Office will continue to carry out its existing functions under patent, trade marks and designs legislation and will also take on certain new functions in these areas.

A new publicity section has been created within the Patent Office to promote awareness of the value of intellectual property. It will both make more use of existing channels of communication with industry and the public and develop new ones.

In order to make further use of its extensive databases the Patent Office will also offer new search services to the public.

The Role of Government

The Government proposes to set up an interdepartmental 'Whitehall Liaison Group' to ensure that the government machine itself is better informed about intellectual property issues in the formulation of policy generally.

Service Marks

The extension of the provisions of the Trade Marks Act 1938 (which deals with marks for goods) to marks for services was allowed for in the Trade Marks (Amendment) Act 1984. The Act is to be brought into force ahead of schedule on 1 October 1986.

[1] *Intellectual Property and Innovation.* Cmnd 9712, HMSO, £6·70. ISBN 0 10 197120 6.

Protection of Designs

The Government proposes to introduce a new design right, not requiring registration, which will protect articles (such as spare parts) against copying. The White Paper notes that the protection of functional articles is a long-running and controversial issue that has divided British industry. A limited form of protection is proposed aimed at balancing a designer's investment in a product with the need to allow competitors to enter the market at a reasonably early stage in the product's life. This will provide automatic protection for a period of ten years with licences to manufacture the article being available as of right during the final five years. The Secretary of State for Trade and Industry may order that licences be available during the first five years if the Monopolies and Mergers Commission should find that the right has been exercised contrary to the public interest.

Designs which are artistic works will continue to be protected by copyright; those which are inventive will still be patentable and those which have aesthetic appeal will be registrable. The term of protection for a registered design is to be increased from 15 to 25 years.

Patent Litigation

The inhibiting effect on the patent system of the high costs of litigation in the courts has been recognised by the Government. In future, disputes about the validity or infringement of patents will start, and in most cases finish, in the Patent Office. In order to reduce the cost of patent litigation still further, the adversarial system at present employed in actions in the Patent Office is to be replaced by a more inquisitorial system by making extensive use of written evidence. This will allow the Office to control, shorten and simplify proceedings and permit the issues to be considered.

Other Patents Issues

The White Paper notes that further reviews are under way into the rights of employee inventors and into the monopoly enjoyed by patents agents, both of which might give rise to legislative proposals.

Copyright and Performers' Protection

The significant proposals in the second part of the White Paper relate mainly to copyright.

Home Taping of Audio, Video and Broadcast Material

The Government is to take a general power to introduce a levy on any particular recording medium (see also pp 82-3, 1985). Initially it intends to introduce a 10 per cent levy on blank audio compact cassettes of playing time greater than 35 minutes. This will raise £5-6 million gross per annum for the benefit of copyright owners and performers. The levy will entitle consumers to make, for private purposes, sound recordings of broadcasts or pre-recorded material but not to copy computer programs.

Retailers will be able to sell blank audiotapes to blind and other visually handicapped people at a price which excludes the cost of the levy and be entitled to claim back the difference from the collecting society which the beneficiaries of the levy will be required to set up. In addition, the collecting society will be required to give rebates to individual blind and other visually handicapped people and to organisations and their members who make significant non-infringing use of leviable tapes.

No levy is to be introduced on videotape, which is principally used for 'time shifting'. Private recording from television broadcasts is to be legalised, but the unauthorised copying of pre-recorded videos will remain unlawful.

Educational Recording

Schools and other educational establishments will be able to record radio programmes in return for the levy on audiotape. They will also be permitted to record television programmes, but will have to pay for this if the copyright owners set up a licence scheme.

Photocopying

The White Paper says that the difficulty of enforcing individual copyrights in the face of the access that people now have to photocopiers makes blanket licensing the appropriate solution in most cases. However, copyright owners should not be obliged to join blanket-licensing schemes.

The educational sector has special needs and so will be allowed to make multiple copies of up to 1 per cent of a copyright work per quarter without authorisation and, if no licence is available, without charge. In some circumstances copyright owners will lose the right to prevent the educational sector copying their works, but they will be entitled to receive royalties if they set up licence schemes.

Some copying is already allowed without authorisation, especially for research and private study. A few changes are being made to these exceptions to copyright, most notably by excluding copying for commercial research.

Computers and Databases

The White Paper notes that important provisions in this area were introduced by the Copyright (Computer Software) Amendment Act 1985 (see p 83, 1985). The proposed new legislation will confirm that copyright is the appropriate way to protect computer programs. Works first created on media other than computer memories, but intended, for example, for ultimate loading into a computer, will also be protected.

Broadcasting and Cable Diffusion

The Cable and Broadcasting Act 1984 (see pp 185-6, 1984) established the legal framework for extension of the cable system in Britain and for the operation of broadcasting satellites. It also amended copyright law to deal with the advent of these new technologies. The White Paper further proposes that transmissions which can be directly received from low-powered satellites should be covered in the same way.

Statutory Recording Licence

At present, once the owner of copyright in a musical work has authorised somebody to make recordings of it for retail sale, he loses the right to stop any other record-maker recording it. A statutory royalty of 6·25 per cent is payable instead. This system is to be abolished. In future, anyone wishing to record a musical work will have to negotiate with the copyright owner or the appropriate collecting society.

Remedies

The civil and criminal remedies provided by the 1956 Copyright Act will be changed in a number of ways. The Government proposes to extend to all categories of copyright material the increased protection, penalties and powers of search and seizure already introduced for films, video and sound recordings and computer programs (see p 76, 1983 and p 83, 1985). In addition, conversion damages which may be awarded to copyright owners under the 1956 Act will be abolished. (Such damages are based on the value of infringing copies without regard to the cost of producing them and are widely accepted to be out of all proportion to the loss suffered by the copyright owner. They particularly affect design copyright.)

Copyright Tribunal

The White Paper notes the increasing tendency for copyright owners jointly to set up collecting societies to exercise their rights collectively rather than individually. The Government supports this trend and therefore proposes to extend the jurisdiction of the Performing Right Tribunal to cover disputes about licensing in all areas of copyright where there is a licensing scheme operated by a collection society. The tribunal will be renamed the 'Copyright Tribunal'.

Other Proposals

The present requirement that the publisher of every book published in Britain must deposit a copy with the British Library and with any other of five specified libraries if they call for a copy no longer has any link with the maintenance of copyright, the White Paper says. The subject needs to be considered in a different context, and a formal transfer of policy responsibilities is being effected to allow this to be done by the Office of Arts and Libraries.

A number of amendments are proposed relating to the length of time for which copyright protection is afforded by law, although it is not proposed to alter the normal term of 'the life of the author plus 50 years following the end of the year in which he died'.

Other proposals affect the playing of sound recordings at premises such as hotels and holiday camps, joint authorship, the ownership of photographic copyright, Crown copyright, the assignment or licensing of copyrights by an author or his heir, the moral rights of copyright owners, typefaces and choreographic works.

International Conventions

Britain is a strong supporter of international copyright conventions, the White Paper states. The Government therefore intends to ratify the latest Act of the Rome Convention (on literary and artistic works), the Vienna Agreement for the protection of typefaces, and the convention relating to the distribution of programme-carrying signals transmitted by satellite.

Within the European Community the Commission has been drafting a consultative document on the harmonisation of copyright laws (over and above the harmonisation already provided by the conventions to which member states are party). The Government will participate fully in the negotiation on copyright harmonisation.

Shorter Notes

INWARD INVESTMENT

The Invest in Britain Bureau of the Department of Trade and Industry handled an increasing case-load of projects in 1985: 21 per cent more than in 1984. The Bureau also undertook a major promotional campaign, 'Britain Means Business', in the United States and Japan (see pp 383-4, 1984).

In an introduction to the Bureau's annual report, published on 23 April, the Minister of State for Industry, Mr Peter Morrison, said that Britain continued to have 'a strong product to market'. With sustained performance in economic growth and company results, with inflation under control and with one of the lowest corporate tax rates in the world, Britain remained 'the preferred European location for internationally mobile investment projects'. Over 40 per cent of United States direct investment in Europe was now located in Britain, and there was more than twice as much Japanese investment in Britain as in any other European country.

While the number of projects actually brought to Britain increased slightly in 1985, the average size of the projects was smaller than in the record years of 1983 and 1984, when some very substantial investment projects were secured. Nevertheless, said Mr Morrison, 'inward investment decisions have created or safeguarded over 165,000 jobs since 1980'. In addition to capital investment and jobs, foreign-owned companies also introduced innovative management and production techniques which helped contribute to Britain's industrial well-being – a point not always appreciated, he said.

Projects handled by the Bureau rose from 738 in 1984 to 892 in 1985. Of these, 450 were of United States origin and 224 from the Federal Republic of Germany.

The number of foreign-owned companies actually deciding to locate or expand in Britain rose from 285 to 305, an increase of 7 per cent. The number of United States companies making first-time investment or expansion decisions was 158. Among large-scale investment decisions announced in 1985 were those by Digital Equipment Corporation (an £82 million silicon-chip plant near Edinburgh, which is expected to create 400 jobs by 1988); J. I. Case (a £90 million investment to manufacture tractors and transmission components at its Doncaster factory); and Damon Biotech Inc of Boston (which plans to build the world's largest monoclonal antibody production plant in a £30 million investment at Livingston in Scotland).

A further 110 decisions are known to have been taken by European firms in 1985, including a £79 million modernisation programme by Norsk Hydro of Norway at its fertiliser plant at Immingham, and a £75 million investment by the German company BASF to produce intermediate chemicals for nylon and acrylic fibre manufacturing on Teesside. Projects announced by 13 Japanese companies represent a further £66 million of investment in Britain and are expected to create over 1,600 jobs in the longer term.

It is too early to assess the overall benefit of the 'Britain Means Business' campaign, the report says, since investment projects often take two to three years to mature. However, the campaign activities, which were co-ordinated by the Bureau working in close

collaboration with Britain's other major investment promotion bodies and with 30 private sector participants, has 'uncovered new prospects', 'raised the awareness of Britain overseas and shown the advantages it can offer', and 'positively addressed the misperceptions of Britain held by others'. Large-scale seminars and other events were mounted both in the United States and in Japan, and a momentum was built up which will be used as a basis for further efforts to attract inward investment to Britain. The report notes, however, that there is mounting competition from other European Community members.

Source: *Invest in Britain Bureau Annual Report 1985*. Available free from the Invest in Britain Bureau, Department of Trade and Industry, Bridge Place, 88-89 Eccleston Square, London SW1V 1PT.

BUILDING SOCIETIES

The Government has announced that a number of amendments are to be made to the Building Societies Bill at the report stage. The amendments include a requirement for societies to belong to an ombudsman scheme.

The announcement was made by the Economic Secretary to the Treasury, Mr Ian Stewart, in a speech to the Metropolitan Association of Building Societies in London on 17 April. The Bill had its second reading on 19 December 1985 (see pp 12-14). The need for the amendments, said Mr Stewart, arose from the fact that this was the first major legislation on building societies for 25 years and the first fundamental legislation for over a century. The Government had continued to consult widely, moreover, while formulating its proposals.

Membership of an ombudsman scheme would be compulsory, but it would be left to the societies themselves to organise the scheme. The proposed new regulatory body, the Building Societies Commission, would have to approve the scheme. The scheme would cover the opening, operation and termination of share, deposit and mortgage loan accounts but need not cover decisions to grant or refuse mortgage loans to new borrowers. The ombudsman would not necessarily be empowered to override the commercial judgment of any society in cases turning on the creditworthiness of a member or depositor, but may require a society to reconsider its decision.

In another amendment to the Bill criteria would be set out to determine the basic principles of schemes that societies might propose for converting to company status. In order to protect the rights of members in such cases there would be a requirement that any scheme should carry forward the interests of the existing members in the reserves of the society, in the sense of protecting their investment on winding up – and sharing in any surplus if there was one.

The Bill already provided in outline for appeal by a society in a case where the new Commission withheld authorisation from it. The appeal provisions would be extended to cases where conditions were imposed on a society's authorisation. The appeal panel would be a free-standing tribunal and would have the power to confirm or set aside decisions of the Commission, or invite it to suggest a different remedy.

The Bill would also be amended in a number of other ways. Special provision would be made for lending on mobile homes; further changes would be proposed concerning the procedures for electing directors and circulating resolutions for annual general meetings; further clarification would be made of how societies could offer personal pensions [in a subsequent announcement Mr Stewart has indicated that societies may invest in subsidiaries, operating as unit trusts, and established for the sole purpose of providing pensions]; steps would be taken to ensure that insurance and other services were directed primarily to individuals rather than corporate customers; societies would be empowered to make advances on the security of contracts to purchase; the constraints on building society subsidiaries themselves having subsidiaries would be relaxed; and societies would be enabled to lend on security of land situated in the Channel Islands, the Isle of Man and Gibraltar. On 7 May Mr Stewart further announced that societies would be required to include in the notice for annual general meetings a statement of any merger approach from another society, unless the latter had expressly requested confidentiality. This rule would also apply to notice of meetings specially convened to consider merger proposals.

Source: HM Treasury press notices, 17.4.86 and 7.5.86.

SUPERVISION OF CITY WHOLESALE MARKETS

Arrangements for the future supervision of the London wholesale money, foreign exchange and gold bullion markets by the Bank of England were announced in a parliamentary written answer by the Economic Secretary to the Treasury, Mr Ian Stewart, on 7 May. These markets are wholesale in the sense that the participants (banks, building societies and specialised broking and dealing companies) are professional operators dealing in large amounts of money. The markets have been supervised by the Bank of England on a non-statutory basis for many years. Under the Financial Services Bill, however (see pp 51-4), responsibility for supervising certain transactions – such as dealings with brokers in certificates of deposit and dealings in options and futures in currencies and gold – would have passed to the Secretary of State for Trade and Industry, while responsibility for others (dealings in commercial bills and normal spot and forward currency transactions, for example) would have remained with the Bank of England. It is recognised, though, that these markets should be subject to a single system of supervision – and this will continue to be operated by the Bank. The Financial Services Bill is to be amended to exclude defined transactions in the wholesale markets from its ambit.

Source: *Hansard*, Vol 97, No 180, written answers, cols 133-4; and HM Treasury press notice, 7.5.86.

COMMERCIAL PAPER MARKET

The Government has decided to enable major companies in Britain to raise funds by issuing sterling financial instruments known as 'commercial paper'. The decision was announced in the House of Commons by the Chief Secretary to the Treasury, Mr John MacGregor, on 29 April during the second reading of the Finance Bill, and amplified in a written answer by the Chancellor of the Exchequer, Mr Nigel Lawson, on the same day.

Commercial paper consists of short-term debt securities issued by industrial and commercial corporations seeking large amounts of cash. The securities, which in the new proposed market will have a maturity of at least seven days but less than one year, are bought by financial institutions or by other corporations with large funds to invest.

The aim of the Government's proposals is to extend the financing options open to British companies, which at present meet their requirements mainly through the banking system or more conventional securities exchanges. There is already a large commercial paper market in the United States (to which some British companies have had recourse) and an offshore market in dollar-denominated commercial paper, and commercial paper markets have recently risen in France and the Netherlands. The proposals follow consultation with major corporate and financial institutions in Britain.

In order to enable a sterling commercial paper market to come into being, certain provisions of the Banking Act 1979 will need to be amended, to exempt sterling commercial paper from the definition of 'deposit-taking' given in the Act. Deposit-taking may only be carried out by licensed banks at present. The large corporations which are expected to make continuous use of the new market will be, in effect, deposit-takers. The amendment will enable this problem to be overcome. Consequent amendments will also be made to the Financial Services Bill (see pp 51-4) regarding the disclosure of information by companies issuing sterling commercial paper, and to the Finance Act 1984 to bring minimum maturity provisions into alignment.

To reduce risks, access to the new market will only be permitted to companies listed on the London Stock Exchange and with net assets of at least £50 million. The minimum denomination for commercial paper issues will be £500,000.

Sources: *Hansard*, Vol 96, No 103, col 816 and written answers, cols 372-3; HM Treasury press notice, 29.4.86; Bank of England market notice, 29.4.86.

CAREER DEVELOPMENT LOANS

Details of a new Career Development Loans scheme to help people to borrow money for vocational training were announced by the Secretary of State for Employment, Lord Young, on 15 April. It is being tested over a three-year period in Aberdeen, Bristol/Bath, Greater Manchester and Reading/Slough and, if successful, might be extended nationally. Lord Young said that the aim was to encourage people to take responsibility for developing their own careers. Under the scheme the three banks involved – Barclays, Clydesdale and the Co-operative Bank – would consider lending money to help people enter vocational training. Anyone aged over 18 living in, or intending to train in, one of the pilot areas could apply for a loan of between £500 and £5,000, covering up to 80 per cent of course fees, for a course lasting between one week and one year. If an application were successful, the Government would pay interest for the trainee during training and for up to three months after the completion of the course, when he or she would then acquire responsibility for the loan and interest payments. The loan would give individuals 'the chance to acquire new skills cost-effectively' and 'through using those skills in a better-paid job the loan should pay for itself'. A target of £12 million of loans over the three-year period had been set to 'show to what extent people are prepared to invest in their own future'. The loans should persuade trainees and the banks to regard training courses as a consumer commodity and this should stimulate training providers to be responsive to trainees' demands.

Source: Department of Employment press notice, 15.4.86.

SUPPORT FOR MANUFACTURING

The Department of Trade and Industry has recently announced three schemes of support for manufacturing industry in Britain.

As a major contribution to Industry Year (see p 56) the Department is setting up an advisory service to assist and encourage small and medium-sized firms to develop or improve their marketing strategies. This will be done by providing outside subsidised consultancy: the first two days will be totally funded by the Department and 75 per cent of the costs will be subsidised for a further 13 days. The scheme will be co-ordinated on behalf of the Department by the Institute of Marketing and should begin later in 1986. The emphasis will be on strategy – on identifying, anticipating and satisfying customer requirements profitably – rather than on examining the way in which existing products or services are sold. Assistance will not be made available for particular market research projects.

In a second scheme a total of £4·5 million has been set aside to help universities, polytechnics and colleges to invest in the latest textile and clothing equipment. The object is to give students 'hands-on' experience of machinery they will be using when they work in industry. The scheme is to be introduced within the next few months; the rate of grant will be 50 per cent of equipment costs.

Finally the Department is to provide £3 million to 39 polytechnics and colleges running degree-level courses in electrical and electronic engineering to buy electronic computer-aided design equipment for silicon circuit design. Once again the scheme is intended to give students 'hands-on' experience. The funding

covers direct grants of up to £75,000 to each participating institution and will be co-ordinated with a similar scheme operated by the University Grants Committee. The schemes reflect the growing complexity of modern integrated circuits, many of which can only be designed with the aid of suitable computers and software.

Sources: Department of Trade and Industry press notices of 11.4.86, 10.4.86 and 28.4.86, respectively.

SOCIAL AND CULTURAL AFFAIRS

Review of Primary Health Care Services

The Government is undertaking the first comprehensive review of primary health care services (that is, health services provided outside hospital) and has set out proposals for improving them in a discussion document published on 21 April. The main aims of the proposals are to make these services more responsive to the consumer; to raise standards of care; to give patients the widest range of choice in obtaining high-quality primary care services; to improve value for money; and to enable clearer priorities to be set for family practitioner services in relation to the rest of the National Health Service. A report of a review of community nursing services in England has also been published.

Secretary of State's Statement

In a statement on the publication of the discussion document[1] in the House of Commons on 21 April (*Hansard*, Vol 96, No 97, cols 21-32), the Secretary of State for Social Services, Mr Norman Fowler, said that the primary health care services (namely those provided by family doctors, dentists, pharmacists and opticians, and by the community nursing and other related services) accounted for nearly a third of total spending on the health service and were used by over one million people every day. The Government's main objectives were to raise standards of care and to make services more responsive to needs of the public.

Family Doctors

The Government proposed to introduce a good practice allowance which would reward those doctors providing the highest standards of care and give incentives to others. The allowance might recognise such features as the range of services provided, including preventive activities; the doctor's personal availability to his patients; and the achievement of particular targets for the levels of services such as vaccination. In addition the Government believed that the public was entitled to more information about the different types of services that doctors provided to enable patients to make better choices when seeking a general practitioner. Together with arrangements that would make it easier for patients to change doctors, this would further help to raise standards and make the services more responsive to the needs of the public, a process which would be assisted if more emphasis were placed on capitation payments in the doctor's remuneration system, so as to increase the financial value to the doctor of the individual patient.

Among other proposed changes, the Secretary of State referred to a new flexible retirement system for doctors with freedom to retire at 60, as at present, but with a compulsory retirement age of 70; and the proposal to end the 24-hour retirement rule, which enabled doctors to retire and rejoin the health service almost immediately, collect a lump sum payment and in some cases draw both pension and pay in full.

Mr Fowler then spoke of the importance of raising standards of services in inner cities. In this context the discussion document had suggested the possibilities of providing financial incentives within the remuneration system; of adjusting the allowances paid to doctors for practice premises in order to compensate for the higher cost of accommodation in inner cities; and of experimenting with different forms of contract.

Dentists

The Government wanted to ensure that everyone who needed the full range of National Health Service treatment would receive it. To help patients choose their dentist the restrictions on advertising might be further relaxed, and to improve value for money the Government would take action to curb unnecessary dental treatment. Greater emphasis should be placed on preventive measures, and retirement arrangements similar to those discussed for doctors were proposed.

Pharmacists

The Government believed that pharmacists should play a larger part in the provision of comprehensive primary care services. There was scope for making better use of pharmacy skills in advising patients and doctors on the use of medicines.

Other Changes

Among other matters dealt with in the document were ways of improving the procedures for dealing with complaints against family practitioners and the extension of informal conciliation arrangements for dealing with less serious complaints. The Government proposed to carry out an independent study of the quality of primary care services in England initially in one or two areas.

[1] *Primary Health Care: An Agenda for Discussion*. Cmnd 9771. HMSO, £6. ISBN 0 10 197710 7.

Community Nursing

Mr Fowler then referred to the publication of the report of a review of community nursing services in England[1] (the Cumberlege report); this contained recommendations on the establishment of neighbourhood nursing services; ways of making better use of nursing skills; and the training of community nurses. The Government intended that there should be wide consultation on both the discussion document and the Cumberlege report and wished 'to hear the views of all those interested in raising the standards of primary care whether as providers or users of the service.'

Social Security: Proposed Changes to Industrial Injuries and Maternity Allowance Schemes

Proposals for changes to the industrial injuries scheme and for a new scheme of statutory maternity pay were announced in the House of Commons on 17 April. The proposals follow consideration of the responses to consultation papers on both subjects issued in December 1985.[2] The changes to both schemes will be effected through amendments to the Social Security Bill which is at present before Parliament (see pp 71-3).

Details of the proposals were given by the Minister of Social Security and the Disabled, Mr Antony Newton (*Hansard*, Vol 95, No 95, written answers, cols 443-7). The principal aims of the changes to the present industrial injuries scheme are to concentrate help for minor disablement on compensation for loss of earnings, rather than on disablement itself; to increase the maximum help which the most severely disabled can receive; to rationalise the various benefits which can be seen as compensation for lost earning capacity or its consequences; and to align the provisions for industrial widows with those for widows generally. The proposed changes to the present maternity pay scheme aim to improve the targeting of the help that is given and to give women greater flexibility to choose the period over which they wish to be absent from work. The changes would also improve the speed with which employers recover the money they pay out.

Industrial Injuries Scheme

Industrial injuries benefits are payable to employed people who suffer injuries caused by an accident at work, or from a prescribed industrial disease. The following changes to the present scheme are proposed.

Disablement Benefit. The threshold for payment of disablement benefit would be lowered from 15 to 14 per cent level of disablement.

Special Hardship Allowance. This allowance, which is payable to a person who is unfit to return to his or her regular job or to do work of an equivalent standard, would be renamed 'reduced earnings allowance'; it would be made independent of disablement benefit and would be payable in full for the first time to the more severely disabled whose total benefit by way of the allowance and disablement benefit cannot at present exceed the 100 per cent rate of the latter. For beneficiaries who have retired, the allowance would be fixed at the rate obtaining on retirement and would be offset against any additional pension paid, thus ensuring that no beneficiary would suffer a large drop in income on retirement.

Industrial Death Benefit. Provision for industrial widows would be aligned with that for widows in the national insurance scheme and the law would be changed so that in future industrial widows would not have to satisfy the contribution conditions for national insurance widow's benefit.

Constant Attendance Allowance. While the consultation paper proposed that this allowance should be discontinued, leaving the industrially disabled in need of care and attention to rely on attendance allowance, the Government has deferred a final decision so that further consideration can be given to the most suitable means of replacing constant attendance allowance.

Accidents Abroad. The present scheme would be extended to cover any employment abroad where the employer has to pay contributions for the employee concerned, and voluntary service workers overseas who continue to pay United Kingdom contributions.

Maternity Allowance

At present a weekly maternity allowance is paid for a period to mothers who have been in regular work and have paid contributions. This is complemented by maternity pay which is paid by employers to women who have worked continuously for the same employer for two years and who give up work to have a child.

The Government proposes to replace both these schemes with a new scheme, to be known as Statutory Maternity Pay, under which employers would become responsible for payment of maternity allowance. A two-tier provision is proposed: an earnings-related payment equivalent to 90 per cent of earnings for six weeks, followed by a flat-rate payment for a further 12 weeks. To qualify for the earnings-related element a woman must have worked for the same employer for at least two years, as at present. To qualify for the flat-rate element a woman must have worked for the same employer for at least six months. If she had worked for that employer for between six months and two years she would be eligible for only the flat-rate element, but for 18 weeks. In order to qualify for statutory maternity pay a woman's average earnings would need to be at or above the lower earnings limit for national insurance contributions for a period of eight weeks. Women would be given an element of

[1] *Neighbourhood Nursing: A Focus for Care* (the Cumberlege report). HMSO, £3. ISBN 0 11 321052 3.

[2] *Industrial Injuries Scheme: Consultation Paper* and *Statutory Maternity Allowance*, which contains details of the changes outlined in the White Paper, *Reform of Social Security* (see pp 23-5). Both available free from Room 218, Department of Health and Social Security, Friars House, 157-168 Blackfriars Road, London SE1 8EU.

choice in deciding when they wished to be absent from work: while a 'core' period of 13 weeks out of the 18 would start six weeks before the expected date of birth, the woman could choose whether to take the other five weeks before or after this period. Pregnant widows would be eligible for statutory maternity pay as well as for widow's benefit, and women who did not pay full-rate national insurance contributions would also be eligible.

A woman who did not qualify for statutory maternity pay would be eligible for a maternity allowance for 18 weeks if she had worked for an employer or as a self-employed person and paid a specified number of national insurance contributions.

DOCUMENTATION

Government and Administration

Parliamentary Elections in Britain. Supplement to COI, No 175/RP/82.

Report by the House of Lords Select Committee on Televising the Proceedings of the House. Report by the Committee appointed in December 1984 to supervise arrangements for, and report on the outcome of, the experimental period of televising proceedings (see p 431, 1984) concludes that the experiment has been useful and that it is for the House to decide whether televising its proceedings should be allowed on a permanent basis. HMSO, £9·10. ISBN 0 10 410286 1.

Multi-Departmental Review of Budgeting: Final Central Report. The report of a review intended to help government departments to continue their development of budgeting as an effective means of expenditure planning and control, and as a tool which management can use to improve the allocation of resources and to secure better value for money. The review has confirmed that the Government's financial management initiative was soundly based and is being carried forward, and makes recommendations to improve four crucial aspects of budgeting: the responsibility of all managers for setting and reviewing budgets; the links between budgeting and the public expenditure survey (in which the Government decides its overall spending plans); the use of output and performance indicators and regular evaluations to measure achievement against objectives; and the identification within senior management structures of clear-cut responsibilities for the control and use of resources. Available from the Treasury and Cabinet Office Library, Treasury Chambers, Parliament Street, London SW1P 3AG. £10. ISBN 0 947819 06 1.

Annual Report of the Police Complaints Authority 1985. HMSO, £6·85. ISBN 0 10 230786 5.

Economic and Scientific Affairs

The 1986 Budget. Fourth Report from the House of Commons Treasury and Civil Service Committee, Session 1985-86. HMSO, £10. ISBN 0 10 231386 5.

Invest in Britain Bureau Annual Report 1985 (see p 163). Available free from the IBB at Bridge Place, 88-89 Eccleston Square, London SW1V 1PT

Special Employment Measures and the Long-term Unemployed: The Government's Response to the Report of the Select Committee on Employment. The response says that the proposals by the House of Commons Employment Committee in its report (for publication details see p 77) would be too costly and impractical. The Committee had recommended a combination of a building improvement programme providing 300,000 temporary jobs a year, 100,000 extra temporary jobs in the National Health Service and social services, and a wage subsidy to employers hiring long-term unemployed people. The response says that the Government's approach offers the most cost-effective way of providing help to the long-term unemployed. Available unpriced from the Department of Employment, Caxton House, Tothill Street, London SW1H 9NF.

Advisory, Conciliation and Arbitration Service. Annual Report 1985. Available free from ACAS, 11-12 St James's Square, London SW1Y 4LA. ISBN 0 906073 28 6.

European Economic Interest Groupings. Department of Trade and Industry consultative document. Invites views on a new form of business organisation – the European Economic Interest Grouping – designed to encourage co-operation between European Community businesses across national frontiers. Member governments are required to pass enabling legislation by July 1989. Available free from Companies Division, Department of Trade and Industry, Room 513, Sanctuary Buildings, 16-20 Great Smith Street, London SW1P 3DB.

Intellectual Property and Innovation (see p 161). Cmnd 9712. HMSO, £6·70. ISBN 0 10 197120 6.

The Tin Crisis: Interim Report. Second Special Report from the House of Commons Select Committee on Trade and Industry. HMSO, £1·35. ISBN 0 10 228886 0.

The Tin Crisis. Second Report from the House of Commons Select Committee on Trade and Industry.

Vol 1. Report and proceedings of the Committee. HMSO, £3·60. ISBN 0 10 292386 8.

Vol 2. Minutes of evidence and appendices. HMSO, £12·50. ISBN 0 10 293386 3.

Development of the Oil and Gas Resources of the United Kingdom 1986 (see p 157). Department of Energy. HMSO, £10·50. ISBN 0 11 411569 9.

The Water Environment: the Next Steps. A consultation paper which develops issues in the White Paper *Privatisation of the Water Authorities in England and*

Wales published in February (see pp 91-2). Describes the Government's plans to set up an inspectorate to monitor the pollution control activities of the water authorities once they have been privatised. Available free from the Department of the Environment, Room A434, Romney House, Marsham Street, London SW1P 3PY.

Acidity in United Kingdom Fresh Waters. A report by the United Kingdom Acid Waters Review Group, assessing currently available data and setting out the scientific background to the various processes that may contribute to fresh water acidity. Criteria and definitions for identifying acidific waters are recommended and methods and guidelines for monitoring fresh waters are reviewed. Available from Publications Sales Unit, Department of the Environment, Building 1, Victoria Road, South Ruislip, Middlesex HA4 0NZ. £10.

European Maritime Transport Policy. House of Lords Select Committee on the European Communities, Session 1985-86.

Report. HMSO, £4. ISBN 0 10 492086 6.

Report with Evidence. HMSO, £14·70. ISBN 0 10 410686 7.

First Report of the Voluntary Licensing Authority for Human In Vitro *Fertilisation and Embryology.* Available free from the Medical Research Council, 20 Park Crescent, London W1N 4AL.

Advisory Committee on Pesticides. Annual Report 1984. Describes the work of the Committee, including its evaluation of new products, the recommendations made and reviews carried out. HMSO, £3·50. ISBN 0 11 242760 X.

Public Access to Environmental Information: report of an Interdepartmental Working Party on Public Access to Information held by Pollution Control Authorities. Department of the Environment, Central Directorate of Environmental Protection. HMSO, £4·50. ISBN 0 11 751865 4.

Government Response to the Committee on Welsh Affairs' Report on Coastal Sewage Pollution in Wales. Cmnd 9764. HMSO, £3·30. ISBN 0 10 197640 2.

Social and Cultural Affairs

Primary Health Care: An Agenda for Discussion (see pp 167-8). Cmnd 9771. HMSO, £6. ISBN 0 10 197710 7.

Neighbourhood Nursing: A Focus for Care [The Cumberlege report] (see p 168). HMSO, £3. ISBN 0 11 321052 3.

The Youth Service in Britain. COI, No 271/86.

Child Abuse – Working Together. A draft guide to arrangements for interagency co-operation for the protection of children. Reiterates the principle that local authorities have a clear legal obligation to safeguard and promote the welfare of children in their care, and in any conflict of interest between parents and child the interests of the child must always come first.
Inspection of the supervision of social workers in the assessment and monitoring of cases of child abuse when children, subject to a court order, have been returned home. A report by the Social Services Inspectorate of the Department of Health and Social Security.

Both documents are published in response to an inquiry into the death of Jasmine Beckford completed in 1985 by the London Borough of Brent and the Brent Health Authority. Available unpriced from the Department of Health and Social Security, Alexander Fleming House, Elephant and Castle, London SE1 6BY.

Household Food Consumption and Expenditure 1984. Annual report of the National Food Survey Committee of the Ministry of Agriculture, Fisheries and Food. HMSO, £19·25. ISBN 0 11 242759 6.

Compensation Provisions in the Town and Country Planning Acts: Consultation Paper. Discusses various issues and proposals relating to planning compensation provisions and invites comments by 30 June 1986. Available free from the Department of the Environment, 2 Marsham Street, London SW1P 3EB.

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